Northern Development INITIATIVE TRUST

Building a Stronger North

2012 Annual Report

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Letter from Chair and CEO

Communities and regional districts throughout central and northern British Columbia continued to grow in 2012 amid a wave of major investments across the province, utilizing Northern Development Initiative Trust's slate of programs to spur economic development in the north.

2012 was a record year for the Trust, which surpassed a major milestone of 1,000 cumulative project approvals since inception in 2005. To date, Northern Development has committed $110 million in funding to 1,059 projects since the Trust was created.

As a result of that funding commitment, 5,856 jobs have been created in central and northern British Columbia. But this would not have been possible without the 1,885 partners the Trust has teamed up with to attract more than $1 billion in new funding to the region.

Nearly three-quarters of the Trust's investments since inception have gone into communities with less than 5,000 people. Beyond flowing some $5.9 million in funding to our communities in 2012, Northern Development has acted as a magnet for funds to flow into the region from other levels of government, organizations and institutions. Every year, the Trust sets a goal to attract at least $2.50 from other funding sources for every $1 it invests in projects. Northern Development is proud to report that, since inception, the projects it has helped fund attract $9.15 from other funding sources for every $1 the Trust has invested.

Meantime, the Trust's annual return on investment has remained above industry benchmarks. This is an important strategic objective of the Trust because it provides the operational funds with which to develop best practices, economic development partnerships, invest directly into program delivery, aid in capacity building and support business development. In 2012, Northern Development's combined returns of 8.2% exceeded benchmark indexes on fixed, and equity income investments.

In 2012, Northern Development continued to serve the region through a variety of grant, loan and capacity building programs, which provide critical dollars to spur the diversification of the economy in central and northern B.C. In an effort to invest more money in the regions the Trust serves, the regional advisory committees that help steer some of the Trust's funding decisions chose to combine their regional development accounts and commence three-year strategic planning to increase funding outflow in 2013 and beyond.

Also in 2012, Northern Development finished three years of intense work with the communities and regional districts it serves to launch four web-based investment portals. The portals are designed to showcase the incredible investment opportunities throughout central and northern B.C. and connect potential investors with key community contacts.

Northern Development also added to its slate of business support programs in 2012, expanding the Northern Industry Expansion program to include supply chain financing loan guarantees for small and medium enterprises looking to land large contracts with major industry.

The Trust is happy to report that its grant-writing program continues to generate much-needed capacity for central and northern B.C. Since 2010, community grant writers in central and northern B.C. have been approved for more than $70 million in funding.

Meantime, Northern Development has also continued to focus on building strong relationships with the communities and regional districts it serves. In 2012, the Trust published four print editions of its *Building a Stronger North* newsletter, which is delivered to more than 120,000 homes and businesses in the region and sheds new light on exciting economic development stories. In 2013, the Trust will transition the print newsletter to a digital edition in an effort to reach an even broader audience, and is leveraging social media to engage with its stakeholders more proactively than ever before. In 2012, the Trust also began to offer ongoing communications support services to the communities and regional districts it serves in an effort to empower them to engage more effectively with their residents and get their stories out to the wider world.

Although 2012 was an exciting year, 2013 promises just as much as Northern Development works to collaborate, create and maintain relationships throughout its regions to build a stronger north for us all.

Evan Saugstad
Chair
Northern Development Initiative Trust

Janine North
Chief Executive Officer
Northern Development Initiative Trust

About Northern Development

Governance

The Northern Development Initiative Trust is governed by a board of eight local government officials appointed by locally elected regional advisory committees, and five regional business leaders appointed by the Province of British Columbia. The board is responsible for Northern Development's strategic direction, policy decisions and effectiveness. The board meets quarterly in person and by telephone conference as required. Current directors on the Northern Development board include:

Appointed by Regional Advisory Committees:

Lori Ackerman
Mayor, Fort St John
Northeast Region

Ted Armstrong
Director, Cariboo Regional District
Cariboo-Chilcotin/Lillooet Region

Bill Streeper
Mayor, Northern Rockies Regional
Municipality (Fort Nelson)
Northeast Region

Mitch Campsall
Mayor, 100 Mile House
Cariboo-Chilcotin/Lillooet Region

Shari Green
Mayor, Prince George
Prince George Region

Carol Kulesha
Mayor, Queen Charlotte
Northwest Region

David Pernarowski
Mayor, Terrace
Northwest Region

Gerry Thiessen
Mayor, Vanderhoof
Prince George Region

Appointed by the Province:

Evan Saugstad
Board Chair
Northeast Region

Daniel J. Schilds
Finance Committee Chair
Northeast Region

Terry Kuzma
Prince George Region

Gerald Wesley
Northwest Region

Alexander Pietralla
Northwest Region

The Northern Development board is also advised by the four regional advisory committees that each elect two directors to the board. The four regional advisory committees are comprised of 64 locally elected leaders from each of the regions. The current list can be found at: *www.northerndevelopment.bc.ca/our-team/regional-advisors*. The Cariboo-Chilcotin/Lillooet fund is advised by 18 elected regional advisors, the Northeast fund by 12, the Northwest fund by 22, and the Prince George fund by 12. Regional advisors meet quarterly to review funding applications, policy recommendations, strategic plans, and to discuss regional economic development issues. Local and regional intelligence, a low level of bureaucracy, and a strong focus on engaging communities as partners, enable Northern Development's highly effective funding delivery model.

Northern Development envisions world-class industries, diversified regional economies, and growing, energetic communities in northern B.C.

Vision, Mission and Priorities

Northern Development Initiative Trust is an independent regional economic development corporation focused on stimulating economic diversification and job creation in central and northern British Columbia, a region that is strategically located and offers a resource-rich economy with many competitive advantages and incentives for business. The Trust was created through the Northern Development Initiative Trust Act (2004). The corporation supports community economic development initiatives through capacity building, community infrastructure funding and business development.

Northern Development's vision is that northern B.C. has world-class industries, diversified regional economies and growing, energetic communities.

Northern Development's mission is to be a catalyst for northern B.C. to build a strong and diversified economy by stimulating economic growth through strategic and leveraged investments.

The five priorities that support Northern Development's vision and mission are: funding program delivery, economic development capacity building, partnerships and networking, business development and demonstrating best practices.

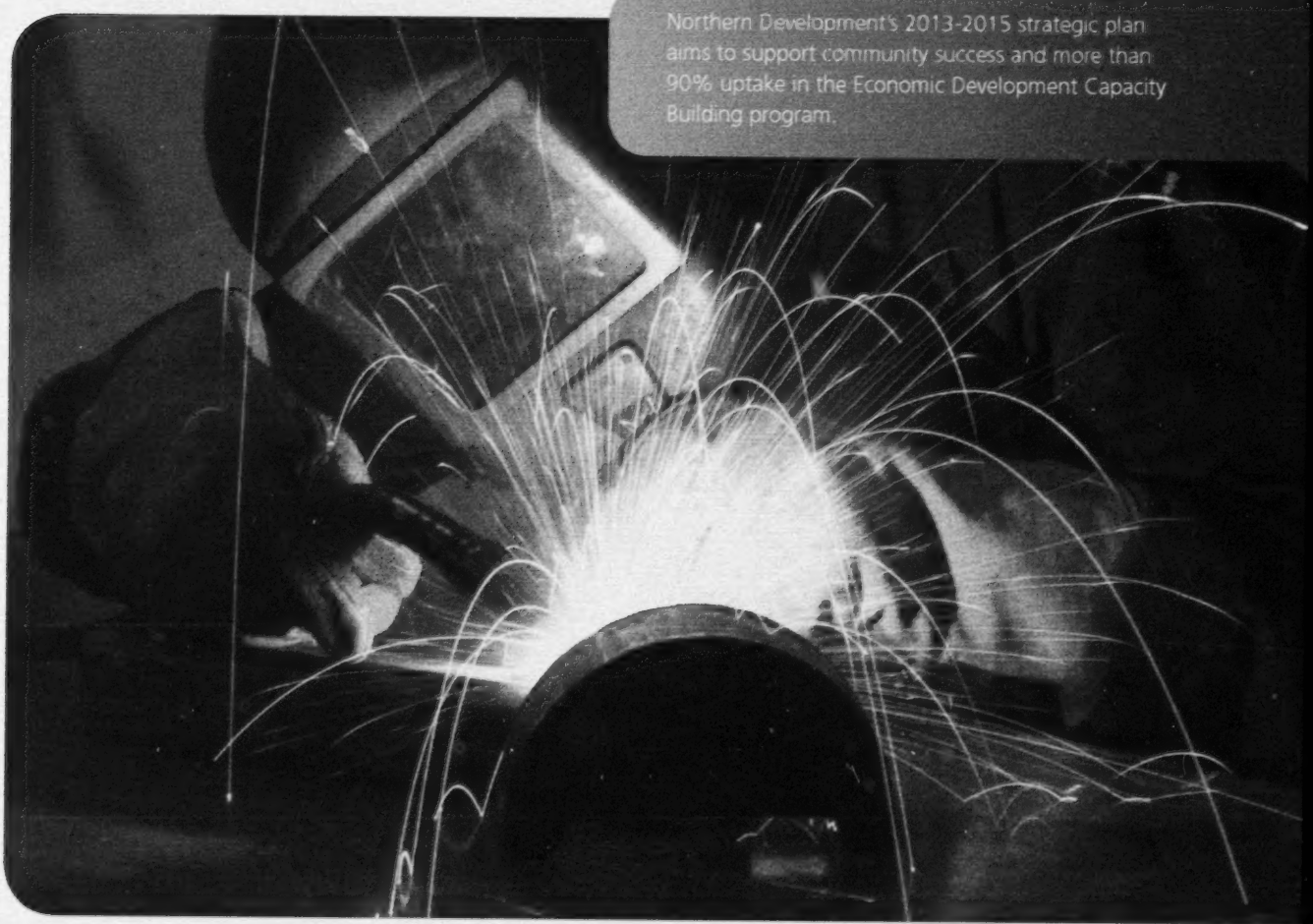
Northern Development seeks to influence others to invest in economic development, to create a positive investment climate and influence the types of growth that will be sustainable, diversify local economies and benefit the people of the north.

Strategic Plan

Northern Development is guided by a strategic plan. This plan outlines the next three years of strategic initiatives, and contains a year-by-year work plan for each of these years, as well as the results from the previous year's work plan. The strategic plan can be accessed through Northern Development's website, under the "About" Northern Development tab.

The strategic plan also recognizes the five priority areas of funding program delivery, economic development capacity building, partnerships and networking, business development and demonstrating best practices. The plan also relates specific activities to one or more of these areas.

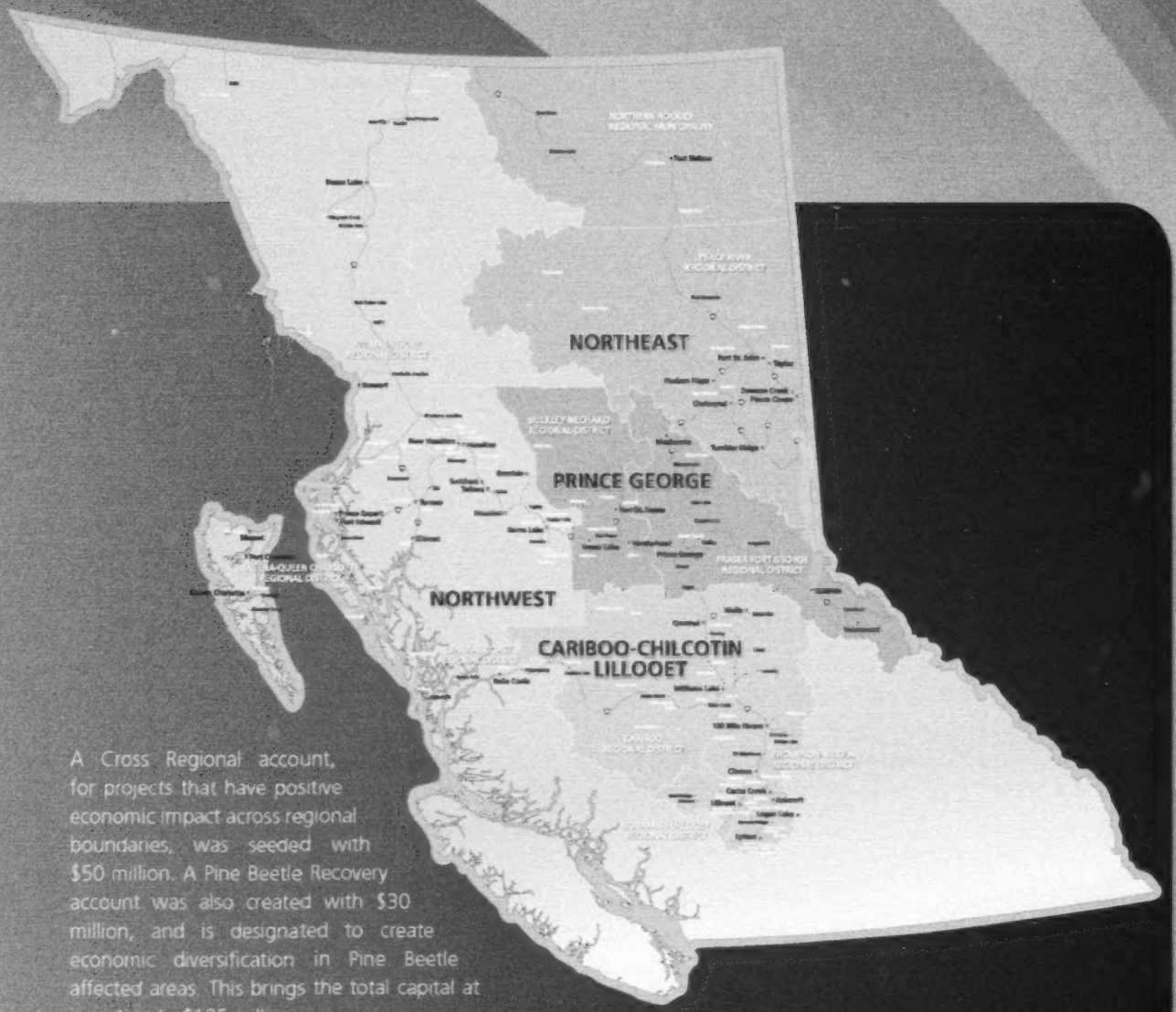
In addition to the priority goals and performance indicators contained in the strategic plan (and covered in some detail throughout this report) the following items highlight areas for 2013 in the 2013 to 2015 strategic plan: support for at least five communities in the implementation of and maintenance of business retention and expansion tools; partner with communities to develop and update 40 investment ready community profiles and make available more than 75 success stories; and the delivery of up to 5% of the capital base in grant funding to central and northern B.C.



Northern Development's 2013-2015 strategic plan aims to support community success and more than 90% uptake in the Economic Development Capacity Building program.

Financial Structure

The *Northern Development Initiative Trust Act* defines Northern Development's account structure, designating funds for four regional development areas: the Cariboo-Chilcotin/Lillooet, Northeast, Northwest and Prince George regions. These four regional development accounts were seeded by the provincial government with $20 million each in 2005. These accounts are held for investment in each designated region through Northern Development programs.



A Cross Regional account, for projects that have positive economic impact across regional boundaries, was seeded with $50 million. A Pine Beetle Recovery account was also created with $30 million, and is designated to create economic diversification in Pine Beetle affected areas. This brings the total capital at inception to $185 million.

Funds for each of the accounts are invested in the region through loans and in financial markets in both equity and fixed income investments. The following chart demonstrates the opening and balances of Northern Development's funds as at December 31, 2012:

Total Capital	$185.0M	$197.5M
Development Accounts	**2005**	**2012**
Prince George	$20.0M	$25.6M
Cariboo-Chilcotin/Lillooet	$20.0M	$20.4M
Northwest	$20.0M	$21.1M
Northeast	$20.0M	$24.9M
Cross Regional Account	$50.0M	$55.5M
Pine Beetle Recovery Account	$30.0M	$23.4M
Operating Endowment	$25.0M	$26.6M

Over $12 million in 2012 was committed to grants, loans and loan guarantees for economic development projects. The income stream from the Trust's Operating Endowment Account funds Northern Development's operational and administrative budget. The Trust's grants and loans are funded by the development accounts.

For more information on Northern Development investments and account balances, please see the detailed account information beginning page 43.

Northern Development Priorities

Northern Development's stakeholders are the residents of central and northern British Columbia, including those in municipalities, First Nations communities and rural areas. Northern Development stakeholders also include business owners, managers and employees, all levels of government acting in the north and all other parties interested in building a stronger north.

Northern Development recognizes five priority areas in its mission and vision, and these priority areas are reflected in the strategic plan and annual reporting, meant to create stronger relationships among stakeholders:

Partnerships and Networking

Partnerships and networking recognize the need to facilitate relationships to increase the flow of funding into the region.

Business Development

Business development recognizes the need to facilitate the growth of manufacturers and suppliers in the region, which enable local economic growth associated with major resource developments and infrastructure projects.

Economic Development Capacity Building

Economic development capacity building recognizes the role of Northern Development to contribute to the continuous growth and development of economic development skills, abilities and scope in all communities in the Northern Development region.

Funding Program Delivery

Community infrastructure program delivery recognizes the need for strategic investment into economic development opportunities related to building a stronger north.

Demonstrating Best Practices

Demonstration of best practices in economic development, fund management, financial management and governance enables Northern Development to achieve a high level of success and accountability with a low level of bureaucracy.

Goals and Achievements

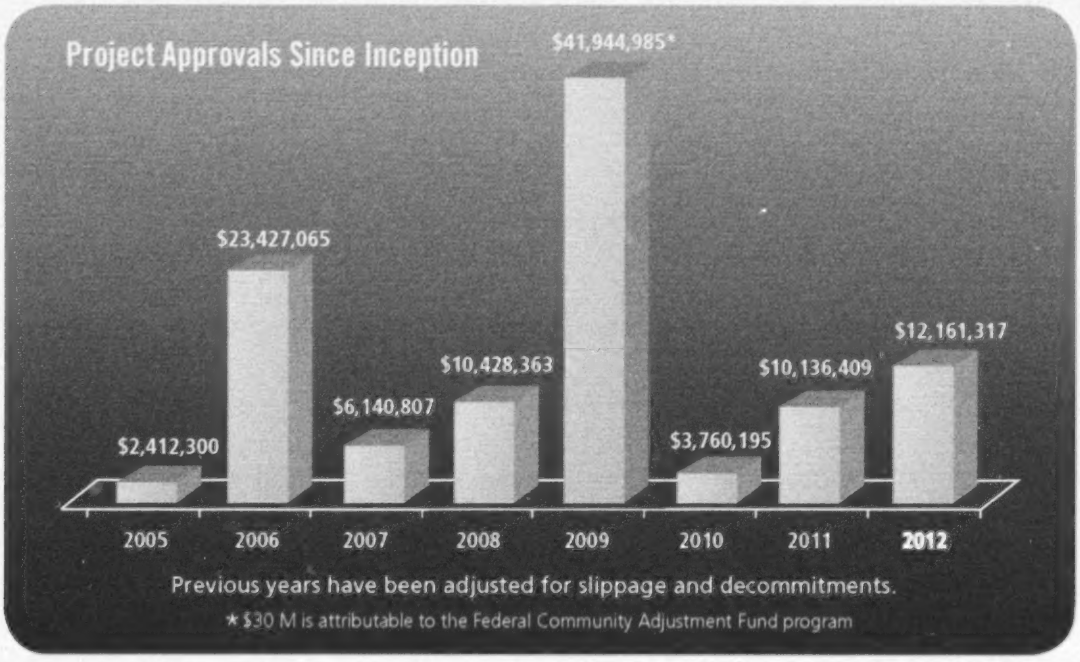
Northern Development Initiative Trust's primary goal is to, directly and through leveraged investment, bring between $1 and $2 billion into communities of the region to aid in realizing their economic potential by 2020, and to have a sustainable base of $185 million to do it again every decade.

Total project funding of $110.4 million was approved from inception in 2005 through December 31, 2012. This has been leveraged with other funding to bring a total commitment of $1.12 billion in project funding to the region during the past eight years, meeting the minimum threshold of this goal eight years early. The capital base of Northern Development on December 31, 2012 was $178.5 million in investments and $19.0 million in loans receivable for a total of $197.5 million. An additional $11.6 million of Community Adjustment Fund loans receivable will flow through to the federal government as per the program delivery agreement.

Progress is reported annually. The goals and achievements developed with stakeholders in supporting this main goal of bringing $2 billion of investment to the region by 2020 are given below. These goals are explained below in the context of each of the Trust's areas of support, and, where appropriate, comparative statistics on achievements have been provided.

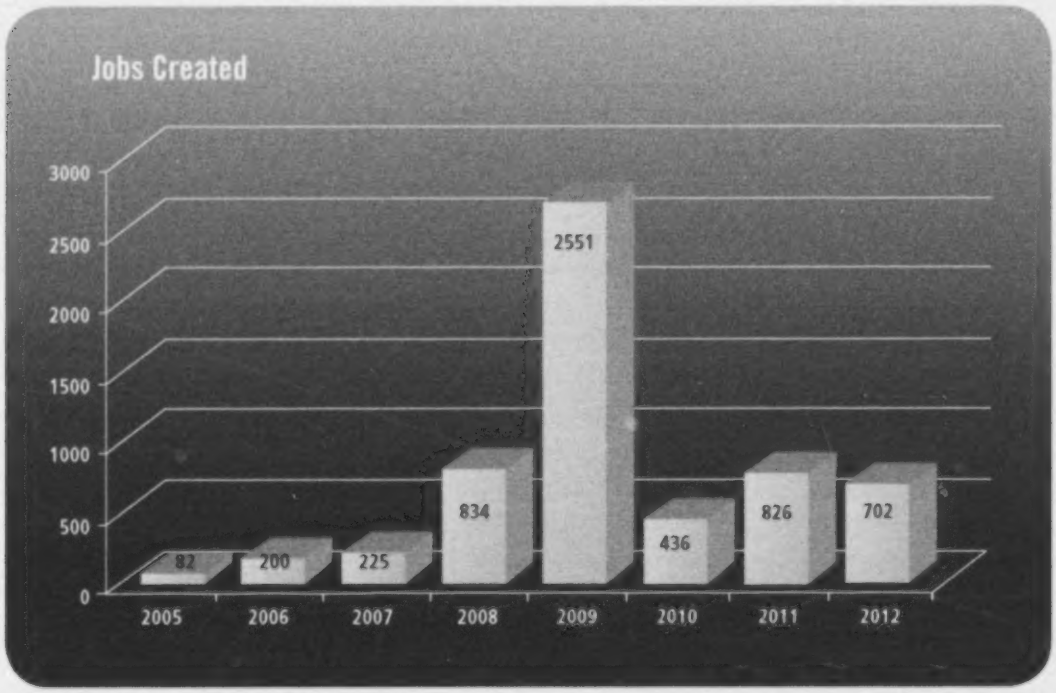
1) Over 2,000 funding partnerships and 1,000 projects by 2020

This goal supports the strategic objectives of the Trust by demonstrating effectiveness in partnerships and networking, while creating positive community impacts through funding program delivery. There are currently 1,885 funders partnering with Northern Development to support 1,059 projects. 320 partnerships and 232 new projects were added in 2012, surpassing the annualized target of 67 projects and 133 partnerships.



2) 10,000 jobs by 2020

Job creation is a key indicator of the effectiveness of the programs in supporting the strategic objectives of the Trust. To date 5,856 jobs have been created, reaching 58.6% of the Trust's overall goal. There were 702 new jobs reported between all funding programs in 2012, which continues to surpass the annualized goal of 667 per year. The total below includes 1,878 jobs created through the Community Adjustment Fund with federal flow through funding in 2009.

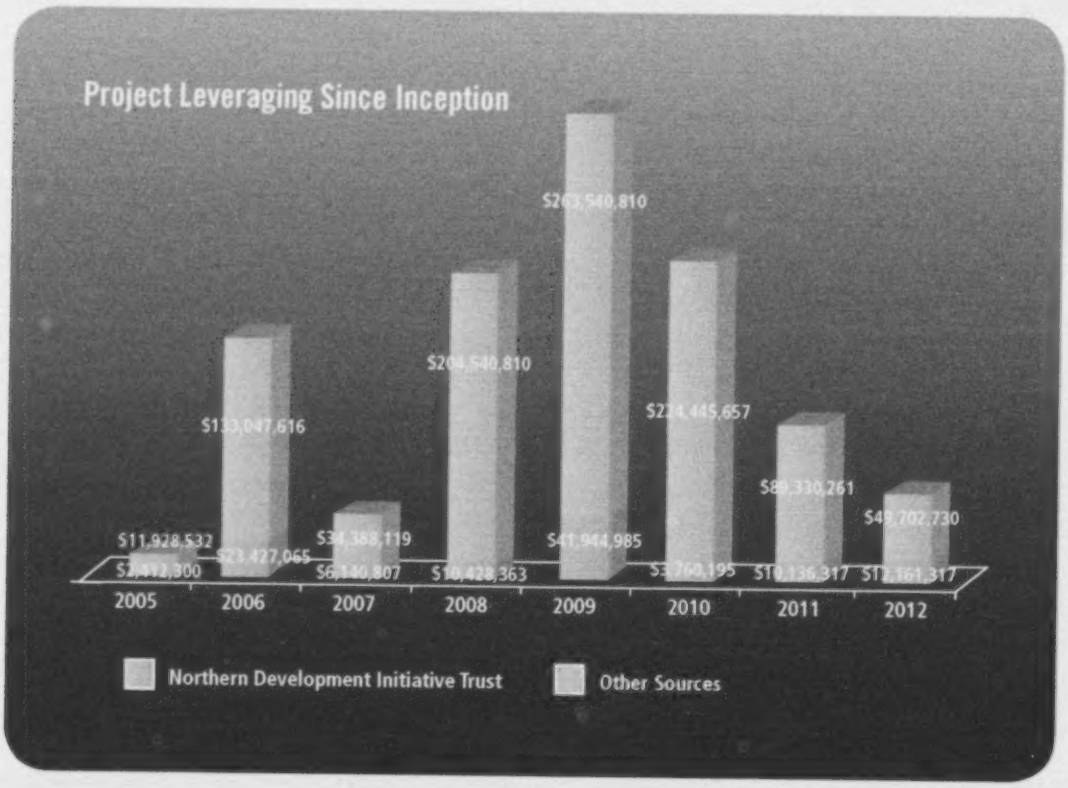


3) 100% of communities engaged and positively impacted

Every community in Northern Development's service region had projects that generated positive impacts by 2008, supporting Northern Development's goal of partnership and networking with all stakeholders in the entire Trust area. 100% of the 49 incorporated municipalities and regional districts were engaged in funding program delivery and building economic development capacity in 2012, meeting stakeholder expectations. This goal may therefore be revised in an update to the strategic plan.

4) Leveraging ratio of at least $2.50 from other sources for every $1 invested in projects

Leveraging ensures more funding dollars are attracted to Northern Development each year, supporting both funding program delivery and economic development capacity building. The cumulative average since inception of the Trust is $1.00 from Northern Development to $9.15 from other sources, which is slightly lower than the $1.00 to $9.17 reported as of December 31, 2011, though far surpasses the $1.00 to $2.50 goal. Leveraging is primarily established in project applications as "Other Funding Sources" provided by proponents and verified by Northern Development staff.



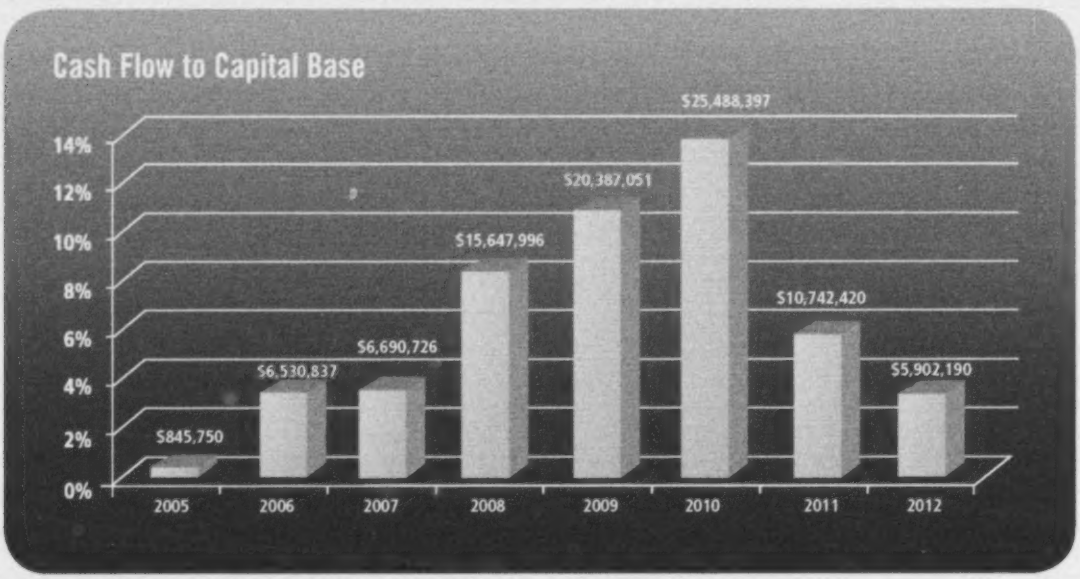
5) Annual Return on Investment (ROI) above industry benchmarks

This goal supports the strategic objectives of the Trust by providing operational funds with which to develop best practices, economic development partnerships, invest directly into program delivery, aid in capacity building and support business development. Returns have averaged 9.2% over the previous four years on a conservative balanced portfolio. In 2012, combined returns of 8.2% exceeded benchmark indexes on fixed and equity income investments. More information on investment balances and performance can be found on page 44 of this report.

In the last eight years, Northern Development's board of directors has authorized more than $110 million in funding disbursals to the regions it serves while maintaining its original capital base.

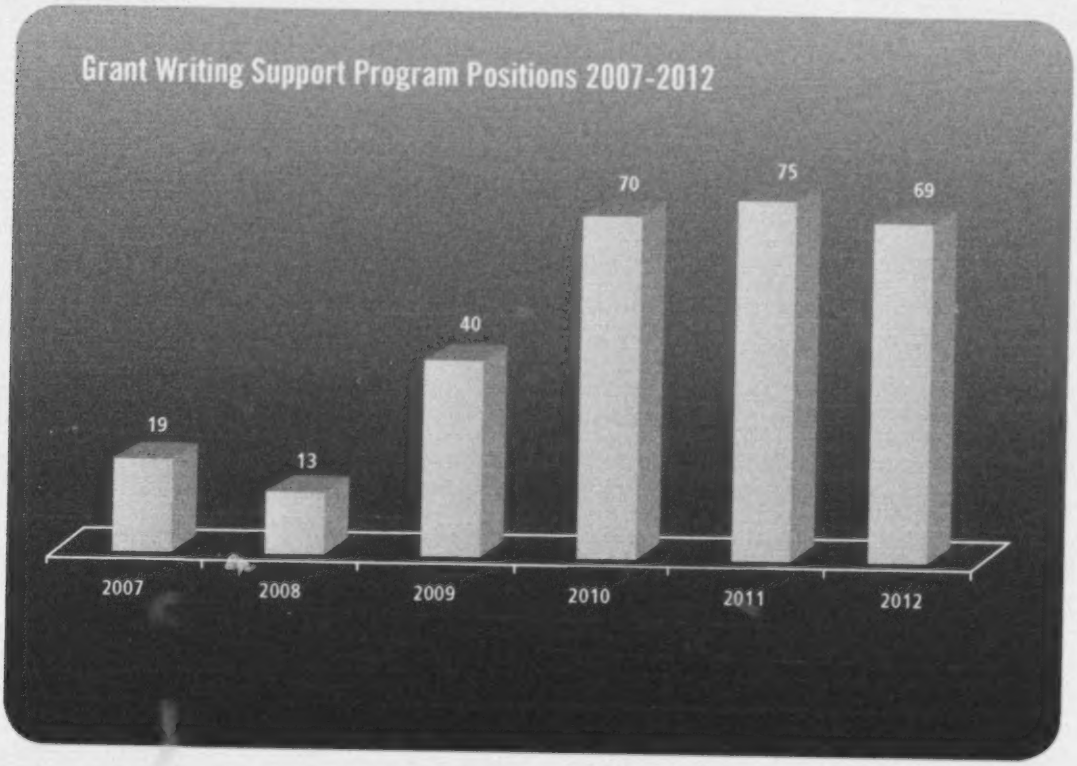
6) Average Return on Investment (ROI) of 5% annualized on cash flow out to projects divided by the starting capital base of the Trust

This goal supports the strategic objectives of the Trust by ensuring that program delivery, capacity building and business development initiatives are maximized in relation to the size of Northern Development's investment portfolio. 2012 reported a return on investment based on cash flow out to projects of 3.2%, slightly lower than our goal of 5.0% annually. Since inception the average return on investment is 7.1%, which continues to surpass our annualized goal. Cumulative return on investment is 49.9% from January 2005 to December 31, 2012. Future returns should remain between 4.5% and 6.0%. In 2012 and 2013 the regional advisory committees chose to combine their accounts and commence a three year strategic plan to increase the funding outflow from the regional development accounts for 2013 and future years.



7) To enable the hiring and training of at least 1,000 grant writers, and provide funding support to increase capacity for at least 40 community economic development programs annually

This goal supports the strategic objectives of the Trust through assistance to municipalities, regional districts and First Nations bands to build grant writing capacity and expertise that leads to a direct increase in funding for projects and programs in central and northern B.C. Nearly 500 people since 2007 have participated in the workshop 'Seven Keys to Funding Success', while more than 3,000 grant writers have viewed the online version. More than 250 of those grant writers were hired by communities from 2007 to 2012 through the Northern Development *Grant Writing Support program*. However, in 2012, only 69 positions were created, which was down from previous years as a result of the New Relationship Trust deciding not to support the hiring of grant writers. 803 grant applications for $66.8M were applied for by grant writers in 2012, of those grants applied for it has been reported that communities were approved for $18.2M during 2012.



The following graph shows the annual amount of online training (webinar views) and in person training (workshop delivery) that has been provided by Northern Development to community grant writers from 2008 to 2012:

8) To facilitate the establishment of 2,000 hectares of land for industrial development

This goal supports the strategic objectives of the Trust by increasing the economic development capacity of northern communities. 4,026 hectares in industrial land have been facilitated in the Prince George development region to date, with the Airport Industrial Lands removal in principle from the Agricultural Land Reserve, and the Regional District of Fraser-Fort George Industrial Land studies funded by Northern Development. Project investment portals developed in 2012 will further increase the capacity of communities to market industrial lands. Communities within the region are also sharing templates with First Nations for joint partnership agreements to develop crown land, as well as utilizing Northern Development funding for communities, to pro-actively partner for a stronger economic development future.

9) To streamline the "get to yes" process to less than 90 days for a complete application

This goal demonstrates best practices in funding approval and client services and supports the strategic objectives of the Trust. Depending on the program, proponents receive decisions on applications within 60 days. The average time for an application approval following submission was 22.9 days in 2012. This is far less than the average approval length goal of 90 days, and is slightly lower than the 25.4 days reported in 2011.

10) To have projects in every mandated area of the legislation

This goal supports the strategic objectives of the Trust by ensuring program delivery reaches a large cross-section of potential project proponents. Northern Development reached this goal in 2008, and a detailed analysis of historic and current funding by these legacy areas is provided in the section of this report dedicated to analysis of the legislated investment areas (refer to page 45 in this report).

11) To engage the private sector (business/investment dollars) in more than 30% of all Trust projects

This goal supports partnerships and networking between communities and industry, and also encourages manufacturing and supply sector development, which is a core strategic objective for the Trust. 25.7% of projects (272 of 1,059 total approved projects) had investment from business as of December 31, 2012. This is 1.5% more than in 2011 and incorporates 65 new projects with private sector involvement that were approved in 2012. This includes all projects where businesses are listed as a proponent or a funder.

12) To provide exceptional client service

This goal supports the strategic objectives of the Trust by exhibiting adherence to best practices and continuous improvement. An annual client satisfaction survey in 2012 resulted in a 98% overall approval rating, and in 2011 provided a 95% overall approval rating. Both of these results surpass the goal of achieving a 90% overall satisfaction rating.

Partnerships and Networking

Northern Development Partners With Communities To Launch New Investment Portals

After three years of intense work on the part of communities and regional districts throughout central and northern B.C. – the province's first four investment portals were launched in 2012 and early 2013.

In January 2013, Northern Development Initiative Trust, in collaboration with communities throughout the Cariboo, launched the fourth and final investment portal – Invest Cariboo-Chilcotin Coast BC, to showcase the incredible amount of economic activity underway across central and northern British Columbia.

The site features an interactive map that identifies key major projects and investment opportunities throughout the region, including specific details about each project. In addition, the website includes comprehensive profiles of regional communities and relevant information to showcase the Cariboo-Chilcotin Coast as a preferred place to invest.

Economic development officers throughout the region played a critical role in the development of Invest Cariboo-Chilcotin Coast BC, developing content for community profiles and working with business and industry partners to develop profiles of key investments.

Invest Northwest BC, Invest North Central BC and Invest Northeast BC were the first investment portals of their kind in B.C. and were launched in 2012, quickly earning tremendous support from the business community and investors both in B.C. and abroad.

Invest Northwest BC, was launched in the spring of 2012 and has since gone on to win a 'Technology Provider of the Year Award' at a gala during the 10th annual B.C. Natural Resources Forum.

Northern Development and its partner communities throughout central and northern B.C. will continue to add content and user value to increase the success of the investment portals.

Building Capacity In The Region To Engage With Investors

Since 2009, Northern Development staff has worked directly with economic development officers and chief administrative officers throughout central and northern British Columbia to improve the quality and timeliness of communities' responses to enquiries by private sector companies looking to locate new businesses in the region.

As part of this multi-year development initiative, Northern Development has partnered with the majority of local governments throughout the region on the research and publication of investment-ready community profiles. These documents provide crucial information about community strategic advantages, workforce availability, taxation and available industrial infrastructure.

In 2012, many communities that have partnered with Northern Development to produce community profiles continued to work on investment readiness projects. Northern Development staff worked with communities to identify seven industrial assets within the region that could attract new investment to the region. Internationally focused marketing Industrial Investment Opportunity brochures have been developed and these industrial assets are now promoted in multiple languages including: English, Mandarin, Japanese and Korean.

Investment-Ready Community Profiles | **Investment Opportunity Brochures** | **Invest Northwest BC Region-Wide Marketing** | **Province of BC International Marketing**

The work produced under these investment readiness projects is aligned with the Ministry of Jobs, Tourism, and Skills Training formats for promoting communities and investment opportunities in British Columbia. With these new marketing products, communities in central and northern B.C. are now better positioned to participate in marketing initiatives led by the Province of BC.

New *Building A Stronger North* Newsletter Is Distributed To 120,000 Residents And Local Businesses

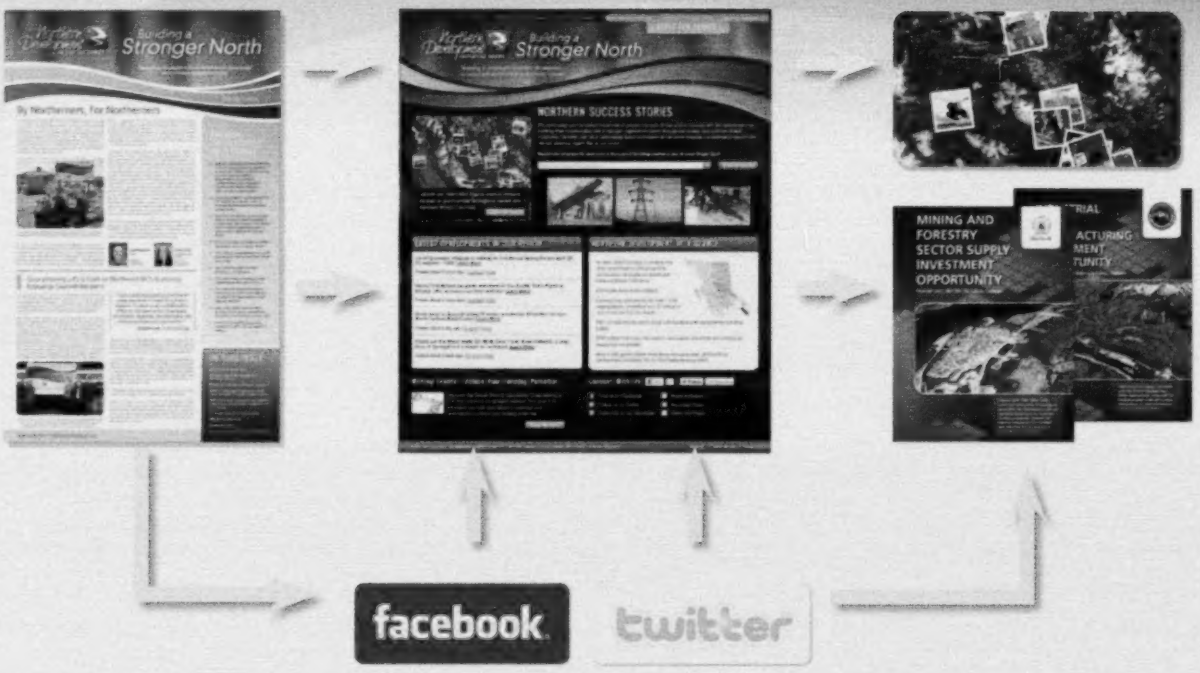
In October 2011, Northern Development launched its first ever ***Building a Stronger North*** print newsletter that is distributed directly to residents throughout central and northern British Columbia. After five years of project investments and positive impacts in communities there are hundreds of compelling success stories that can be shared with residents throughout the region.

The strategic goal of the ***Building a Stronger North*** newsletter is to raise public awareness and engagement of the work spearheaded in communities throughout the region and of the funding and capacity building support that is available from Northern Development Initiative Trust.

Since 2011, Northern Development has distributed five more issues of its ***Building a Stronger North*** newsletter to more than 120,000 residents and local businesses throughout the region. The newsletter profiles the people and companies who are building a stronger regional economy.

In 2012, Northern Development's staff team increased the rate of production to four issues per year from the original two in an effort to attract a stronger audience. In 2013, the Trust will continue to issue print issues and will also provide a compelling digital version of the newsletter on its corporate website, which will feature media rich content such as video stories about communities and interactive widgets that explain the Trust's role, its funding programs and what it has accomplished to date.

In addition to the print and digital editions of the newsletter, Northern Development has also launched a Twitter account, Facebook page, LinkedIn page and YouTube page to more proactively engage with the residents and communities it serves and start a more meaningful conversation about what it means to build a stronger north. The Trust's social media accounts will also be used to promote original content from the newsletter, as well as Northern Development's funding programs and corporate objectives.



Increasing Networking And Peer-To-Peer Mentoring In The Region

In 2010, Northern Development began work on a multi-year project engaging with every proponent that has received financial support for infrastructure, marketing, business expansion or feasibility projects.

By October of 2011, every proponent had provided Northern Development with a story about their project that could be publicly featured on a new Northern Development website that will be focused on enabling communities to have better awareness of project successes throughout the region so that networking and peer-to-peer mentoring can be enabled.

In the spring of 2012, Northern Development launched its new corporate website with the following strategic goals:

- Engage Northern Development's key stakeholders and the public in a deeper and more connected way
- Build relationships, mentoring and networking throughout the region
- Solicit feedback and attain insights about Northern Development's programs, historical project investments and ongoing community needs
- Promoting central and northern B.C. communities as great places to live, work and invest

Since then, the website has been updated to integrate the Trust's social media accounts, ***Building a Stronger North*** newsletter and more information about the region it serves, as well as the funding programs and internship opportunities it provides. The website will continue to be built upon and serve as the benchmark for the Trust's external communications initiatives.

Business Development

Northern Development acts as a catalyst to stimulate business development throughout central and northern B.C., creating wealth through employment and thereby contributing to building a stronger north. Northern Development provides direct support to manufacturers, innovators, processors and their suppliers to grow their businesses, implement world-class business practices and become more competitive in the global market. Northern Development currently has two established programs aimed at supporting business in an effort to build a stronger north:

The Competitiveness Consulting Rebate Program

The *Competitiveness Consulting Rebate program* provides a rebate to small and medium sized companies engaged in manufacturing, innovative technologies, resource processing, transportation, distribution and their first line suppliers for outsourced consulting services.

A rebate of up to 50% to a yearly maximum of $30,000 can be recovered for the cost of external business consulting projects. Projects must focus on increased productivity, new or incremental revenues, profitability and/or job creation. Eligible companies must be privately owned, incorporated and have a base of operations within the Northern Development Initiative Trust region.

The funding levels the playing field between northern companies and the lower mainland in terms of the cost of accessing top flight consulting expertise that will strengthen business revenue and job growth.

In 2012, 45 consulting projects were approved for a total consulting value of $970,988 with $457,175 allocated for rebate funding. Of the total projects, nine were undertaken by First Nation businesses.

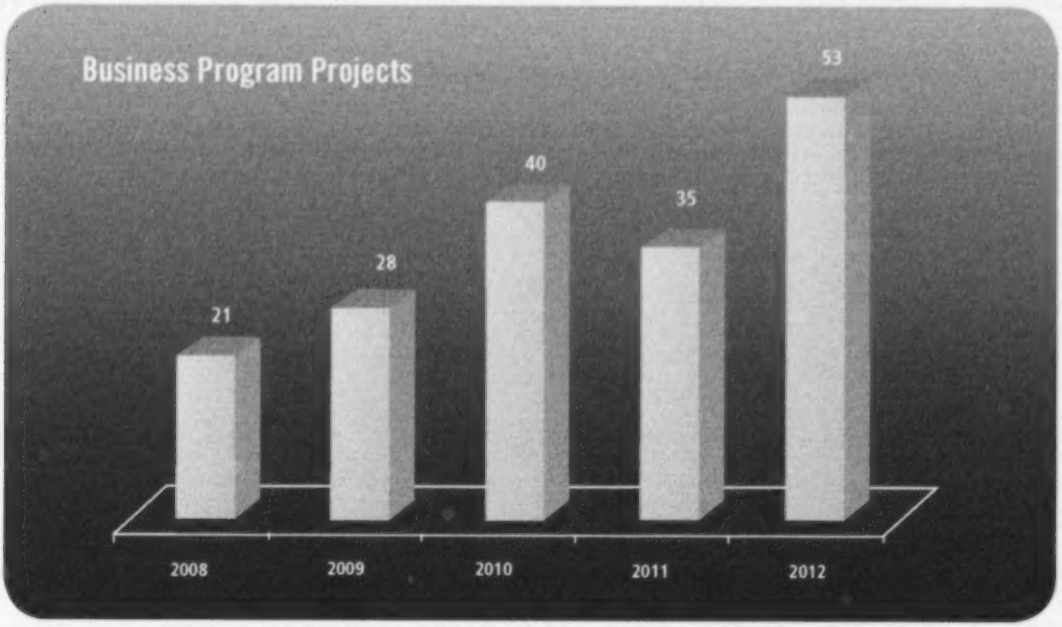
The approved projects were delivered throughout the Northern Development region with the following breakdown:

Northwest region **18**
Prince George region **18**
Cariboo-Chilcotin/Lillooet region **5**
Northeast region **4**

Northern Industry Expansion Program

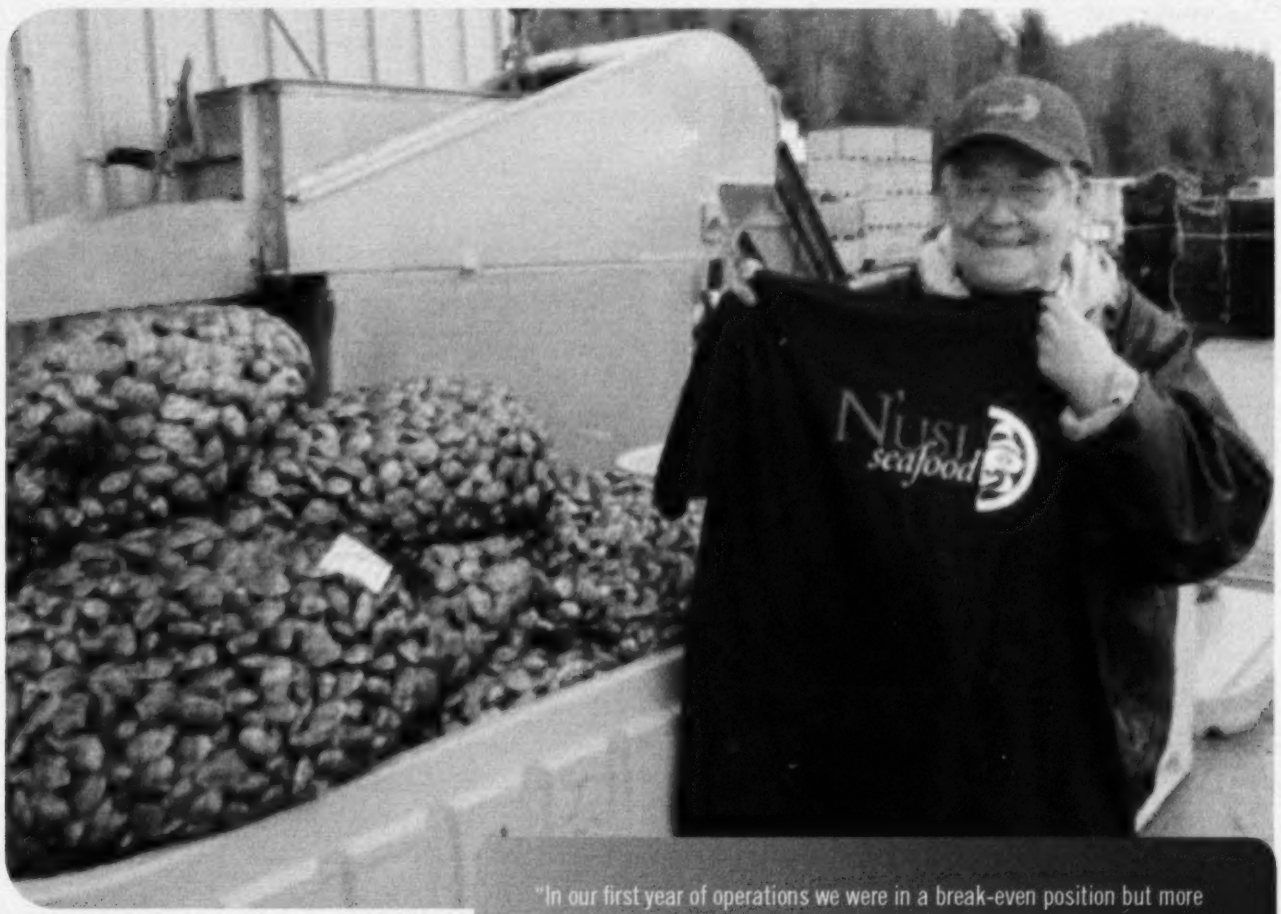
The *Northern Industry Expansion program* provides small and medium sized manufacturers, resource processing companies and first-line suppliers with incremental capital in the form of supply chain financing and working capital to help expand their businesses to meet the demands of today's marketplace. Northern Development has dedicated $15 million to this program, expanding the available capital pool to small and medium sized businesses throughout central and northern B.C.

To date, business programs have produced 1,141 jobs. Northern Development commitments through 177 business program projects to date a total of $11.4 M, and of those, 53 projects worth $1.2 M were approved in 2012.



Northern Development delivered 10 contractor-supplier boot camps in 2012 as a formal business support initiative. These boot camps provide information to local industrial contractors and suppliers about doing business with large corporations investing in major projects in central and northern B.C. By becoming part of a local supply chain for goods and services, less will be outsourced and more money will be spent in the communities and the region. Communities that took advantage of the contractor-supplier boot camps in 2012 were Burns Lake, Prince George, Vanderhoof, Fort St. James, Smithers, Terrace, New Hazelton, New Aiyansh, Kitimat, and Prince Rupert.

The following project is an example of a consulting project and its economic impacts resulting from investments through Northern Development's business programs in 2012



"In our first year of operations we were in a break-even position but more importantly we put more than 120 local people to work. The personal commitment of our employees and renewed community pride is our real success. With proper operating and training procedures funded through Northern Development's Competitive Consulting Rebate program we can ensure success of our staff and quality of our products." Christy Whitmore, General Manager of Heiltsuk Fisheries Management Ltd.

Capacity Building

Northern Development supports communities in their economic development activities through capacity building funding programs, and encouraging collaborative projects with a regional approach. To date, Northern Development has committed $10.8 million to 562 capacity building projects worth more than $34.3 million. Capacity building programs include the *Economic Development Capacity Building program, Grant Writing Support program, Marketing Initiatives program, Industry Attraction program, Community Foundations Matching Grants program, Governance Essentials Scholarship program* as well Northern Development's *Internship programs.*

Northern Development Internship Program

The Northern Development *Internship program* has supported communities with direct participation in community initiatives. The internship program involves recruitment of recent university graduates from central and northern B.C. who can gain experience in economic development, community planning and community marketing. Interns learn the economic development skills that will allow them to be successfully recruited into careers with communities in central and northern B.C. Interns have contributed to community capacity by carrying out business retention and expansion projects, creating community investment profiles and development of all project success stories found on the Northern Development website. Internships are supported in part by the federal Career Focus program.

In 2012, six interns were recruited, trained and started exciting careers: Caitlin Hartigan, Geoffrey Roy, Nathan Chiles, Nadia Nowak, Daniel Fish and Karen Muir. Among them, Nathan Chiles has since gone on to become a loans officer with Community Futures, while Nadia Nowak is now a community outreach coordinator for the Northwest Institute for Bioregional Research and Daniel Fish accepted a position as an economic development consultant with the Thompson-Nicola Regional District. Two of the interns continue to work at Northern Development and mentor new peers in how to provide economic development support to the region. In 2013, twelve new interns will continue to play a key role in the region's economic development capacity.

Community Foundations Matching Grants Program

The objective of the *Community Foundations Matching Grants program* is to assist municipalities and regional district electoral areas in Northern Development's region in establishing or growing a community foundation endowment that supports local social, cultural, and environmental needs and empowers local decision making. These investments will exist in perpetuity, and promote local decision making within the community foundation framework to meet local needs.

Four community foundation deposits were approved in 2012, with matching grant commitments of $150,800 to grow northern B.C. foundations by $300,800 in total value. This creates another source of long-term funding to maintain local wealth within the community and create positive economic and social outcomes.

$1.2 million in matching funds has been invested into 28 community foundation accounts for a value of $2.7 million. Further, in 2012, 36 grants totaling $78,472 were funded by perpetual community foundations that did not exist prior to the Northern Development partnership.

The Fort St. James Community Foundation Society has raised $25,000 to meet the first milestone on its journey to improve the quality of life for the 1,700 people that call the historic community home. These funds were used to access the first half of their $50,000 matching grant from Northern Development's Community Foundations Matching Grants program, which was made in October 2012.

The Society will have more than $100,000 invested by early 2013. Once the next $25,000 has been raised, Northern Development will match it with the remaining $25,000 grant.

Economic Development Capacity Building Program

The *Economic Development Capacity Building program* provides annual funding of up to $35,000 to support staff training and programs in municipalities and regional districts. This incremental funding goes directly to in-house economic development staff and resources, and to promote collaborative projects between communities or economic development organizations and any other partners including business. $1.6 million was committed in 2012 for these community initiatives, leveraging a further $5.8 million in funding from other sources. Total funding for the *Economic Development Capacity Building program* since inception has been $6.9 million, through 211 grants to local governments.

Marketing Initiatives Program

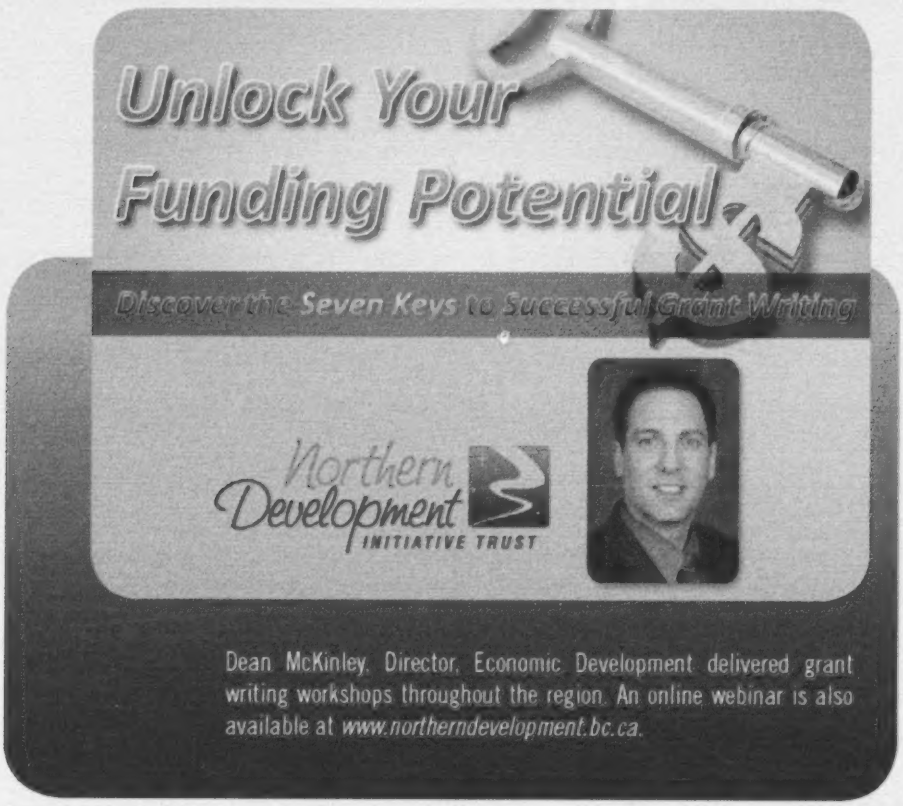
The *Marketing Initiatives program* provides organizations funding towards the marketing of their local assets, products and capabilities. Up to $20,000 can be provided to marketing initiatives which will directly attract new investment and increase revenues to the region from outside of northern B.C. In 2012, seven projects were approved for $81,000 in grant funding. To date 26, grant projects worth $391,000 have been approved contributing towards a $2.2 million total project value within central and northern B.C. communities.

Northern Development helped fund the Cariboo Mountain Bike Consortium marketing initiative, providing $19,750 toward the development of a web portal – www.ridethecariboo.ca - designed to attract new adventure tourists to the region.

Grant Writing Support Program

The *Grant Writing Support program* supports 54 communities each year with a $7,500 grant to hire a grant writer to increase the grant monies flowing into central and northern B.C. In addition, there has been a goal to train 1,000 individuals in grant writing across the province by 2020. Funding and training adds additional capacity to respond to community priorities and non-profit requests, and dramatically increases the success communities have in applying for grants from many sources. In 2012, grant writers applied to funders for a total of nearly $67 million, and more than $18 million has been approved to date. Since inception, Northern Development has committed $2.1 million towards 286 grant writing positions, creating 72 full time equivalent jobs for grant writers.

Other capacity building initiatives include the *Governance Essentials Scholarships program* whereby regional non-profit directors can receive funding for governance training, $10,000 of Northern Development student bursaries for the five post-secondary institutions with campuses in central and northern B.C., along with collaboration with many northern communities.


Unlock Your
Funding Potential
Discover the Seven Keys to Successful Grant Writing
Northern
Development
INITIATIVE TRUST
Dean McKinley, Director, Economic Development delivered grant writing workshops throughout the region. An online webinar is also available at www.northerndevelopment.bc.ca.

Funding Program Delivery

Northern Development delivers 13 funding programs which support capacity building and business development across the region as well as the development of community infrastructure. Community infrastructure programs are the primary focus of this funding program delivery priority area.

To date, Northern Development has committed $58.6 million to 288 community infrastructure projects worth more than $763 million. Community infrastructure programs include the *Economic Diversification Infrastructure program, Community Revitalization program, Feasibility Studies program,* and the *Community Halls and Recreation Facilities program*.

During 2012, staff worked very closely with local governments, First Nations, non-profits and businesses who wished to access Northern Development funding throughout the region. Staff continue to be focused on providing a high level of client service, coaching applicants to success, networking with other funding agencies to move projects forward and conducting due diligence prior to board recommendations on all projects.

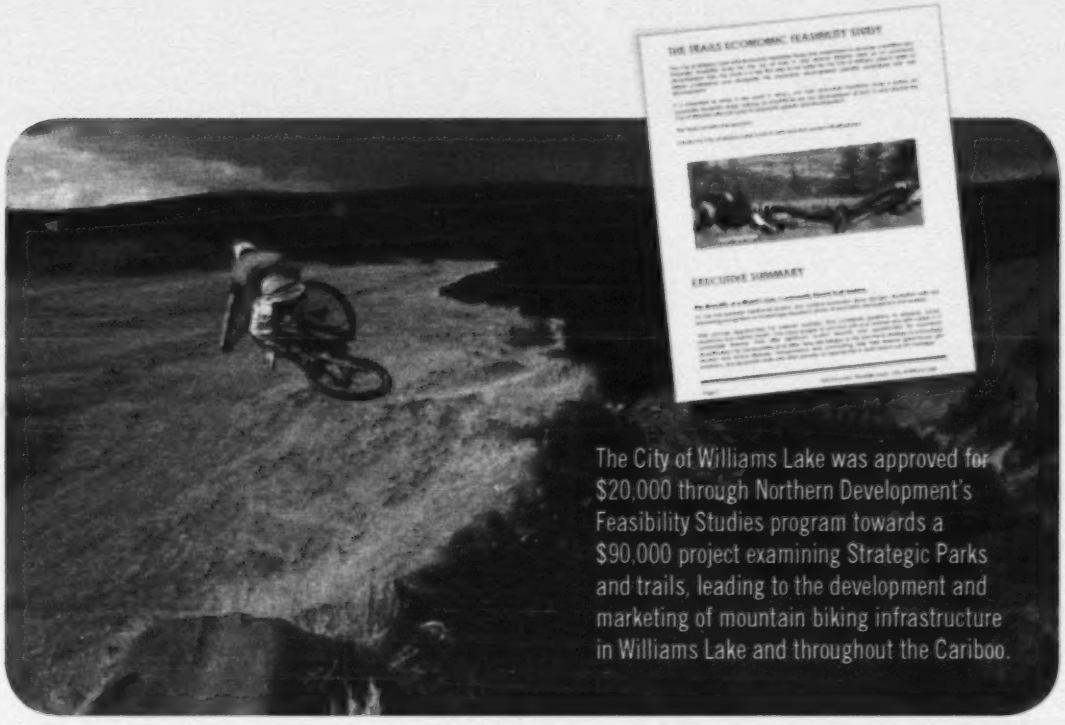
Economic Diversification Infrastructure Program

The *Economic Diversification Infrastructure program* supports the construction of infrastructure throughout the region that directly diversifies the economy. This program directly creates new jobs and increases revenues in the Trust region, and supports the diversification of local and regional economies through infrastructure and capital investment. The program is accessible to organizations throughout central and northern B.C., particularly those located in small communities and rural areas. In 2012, 10 projects were approved for $1.4 million in funding.

Since inception, $45.5 million has been committed to 111 projects with a total project value of $291 million through the *Economic Diversification Infrastructure program*.

Feasibility Studies Program

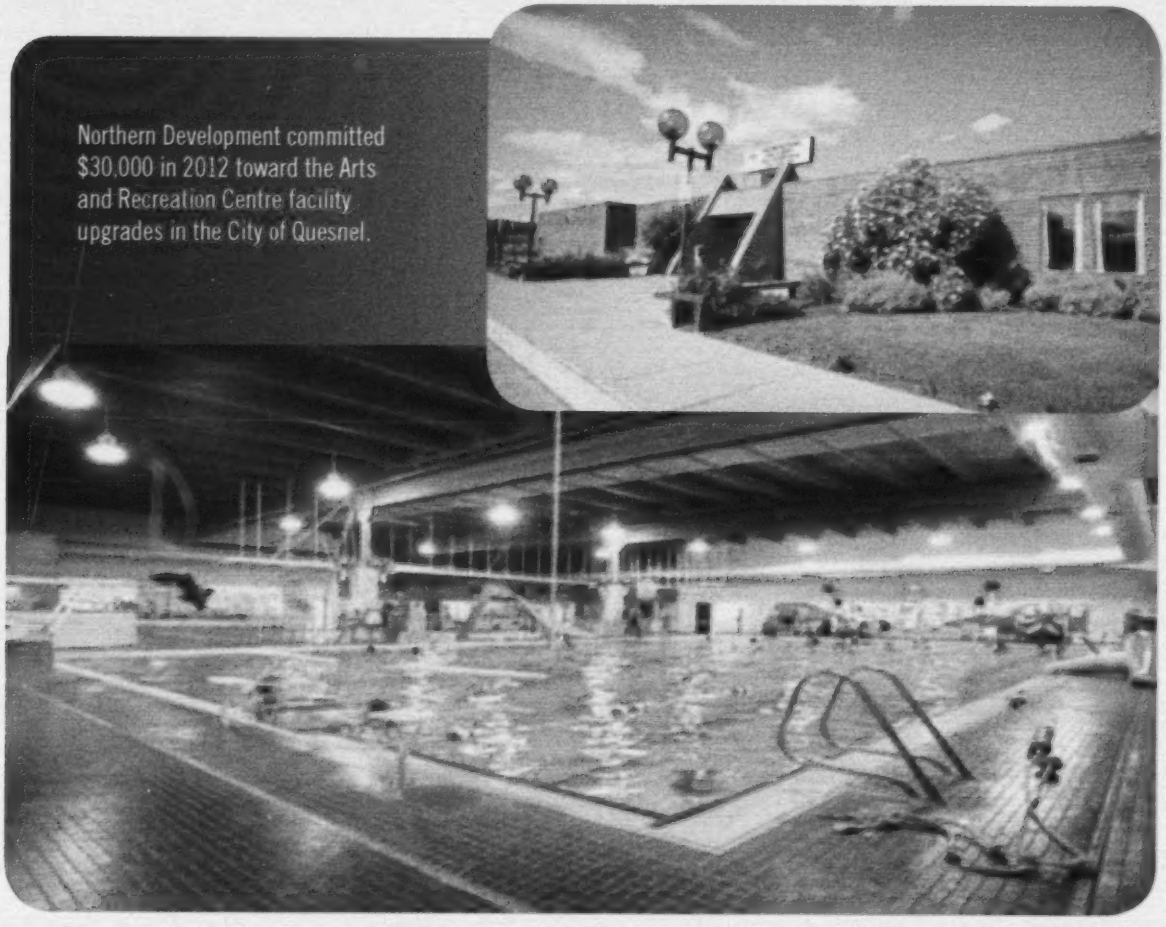
The *Feasibility Studies program* lays the groundwork for major infrastructure projects and capital investment in the region to increase revenues generated from outside central and northern B.C. Feasibility studies identify the need and business case for future infrastructure projects. Since inception, $1.6 million has been committed to 57 projects with a total project value of over $419.5 million. In 2012, 10 new feasibility studies projects were approved for $126,172 in Northern Development funding, and with a total project value of $766,430.



The City of Williams Lake was approved for $20,000 through Northern Development's Feasibility Studies program towards a $90,000 project examining Strategic Parks and trails, leading to the development and marketing of mountain biking infrastructure in Williams Lake and throughout the Cariboo.

Community Halls and Recreation Facilities Program

The *Community Halls and Recreation Facilities program* improves the sustainability and event hosting capacity of facilities that generate revenues for non-profits and the tourism sector. This, in turn, creates revenues and improves the quality of life for local residents. This program is also accessible to all rural areas that would not usually have an opportunity to develop larger economic development infrastructure projects. Since inception, $5.4 million has been committed to 118 projects with a total project value of $45.6 million. In 2012, 28 projects were approved for $778,950 in funding.



Northern Development committed $30,000 in 2012 toward the Arts and Recreation Centre facility upgrades in the City of Quesnel.

Community Revitalization Program

Northern Development launched a new and aggressive incentive program aimed at encouraging private developers to invest in revitalizing northern communities in 2011. The program allows communities to provide benefits through a revitalization tax exemption program, whereby property taxes estimated over a 10-year period are made available to a property developer at the occupancy stage of their development. Future property taxes then flow back to Northern Development from the community. The *Community Revitalization program* will encourage new market and non-market housing, commercial and mixed-use development, 'green' development and façade improvements by providing developers with repayable funding and a stronger equity contribution to development.

The City of Prince George committed $6 million of funding to community revitalization initiatives in 2012. The Revitalization Tax Exemption Early Benefit Program utilizes Northern Development funding to provide up to ten years of municipal taxes at permitting, with future cash flows returned to the Trust. Further, the City has partnered with Northern Development in the disbursement of $10,000 per unit for the development of high-density multi-family housing in the designated downtown core. In 2012, two development contractors participated in the program, generating 12 new builds in the Prince George downtown area. Additionally, Logan Lake has adopted this program in their district to promote growth in the industrial areas of their district.

Best Practices

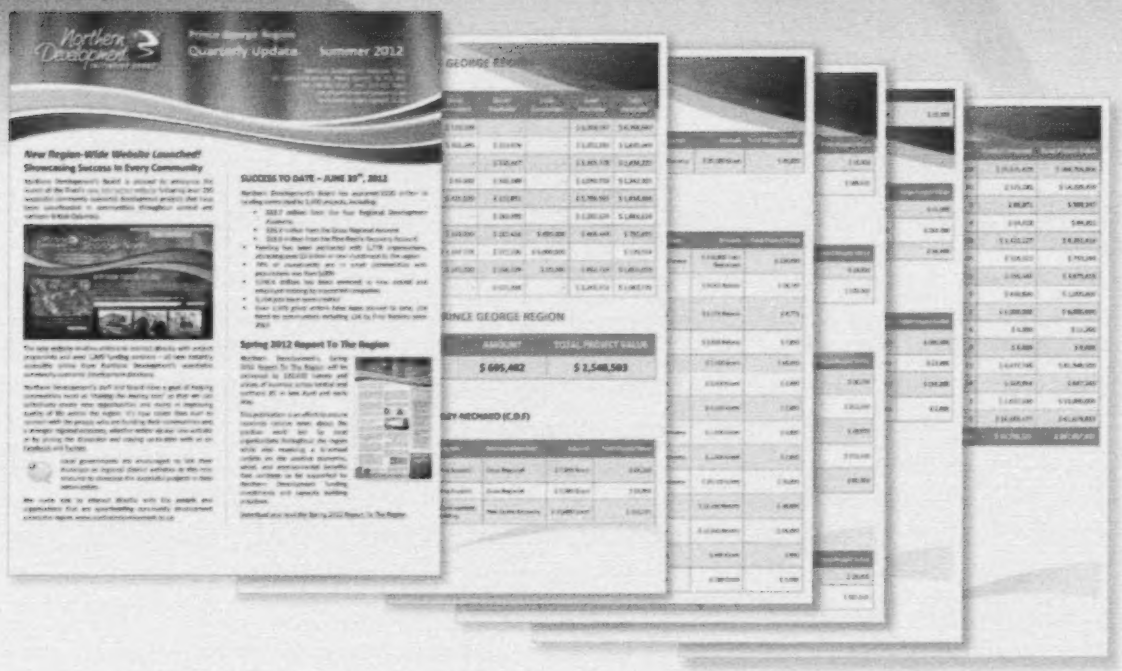
Northern Development exhibits best practices in client services, financial management, fund management, reporting and governance. "Best practices" is a qualitative priority area, in which Northern Development seeks continuous improvement to enhance robust systems promoting efficiency. Best practices therefore mitigate risk, while maximizing internal capacities. 2012 saw the implementation of suggestions made by auditors and a five-year review committee, enterprise resource software improvements, updates to investment policy, and enhanced reporting to stakeholders.

Client Satisfaction Surveys and Stakeholder Communication

Client satisfaction surveys are administered each year to solicit feedback on Northern Development programs and initiatives. 2012 surveys were provided to all projects that received a final payment or that were approved in 2012. 56 project proponents returned completed surveys. The survey was, as with prior years, administered in the three broad categories of application intake, contracts and disbursements, and overall experience. Northern Development received an overall approval rating of 98% in 2012, much higher than the annual target of 90%.

Public Accountability and Reporting

In 2011, Northern Development adopted a new standard for stakeholder reporting, which continued into 2012. Quarterly reports are made available to stakeholders every three months. These reports provide regional and nominal (individual community allocation) account balances, all year to date project approvals, total to date program commitments by region, and a summary of combined investments from all accounts to date. Stakeholder feedback will continue to provide direction for this type of reporting.



As part of its conception in the *Northern Development Initiative Trust Act*, Northern Development was required to appoint an independent committee to review the Act and evaluate how it is functioning at every five year interval. The first five-year Legislative Review Committee was formed in 2011. The Committee made several recommended updates to the legislation, including the expansion of investment sectors to include intellectual property and applied research, expansion of regional advisory committee representation to include First Nations, allowing for more timely board appointments, and others. Northern Development awaits the government review of the Northern Development Initiative Trust Act in light of these recommendations.

The Office of the Auditor General audit also resulted in some key recommendations, designed to enhance reports that already "reflect good practices for public accountability reporting." The key recommendations were to compare results to risk and capacity, and to provide both year over year and actual to goal comparisons as much as possible. In 2012, the Auditor General had Northern Development conduct a self-assessment reviewing reporting policies required from the audit conducted in 2011.

The actual recommendations to the statutory trusts audited are:

i. Include discussion in their public accountability reports about how they are complying with legislated requirements.

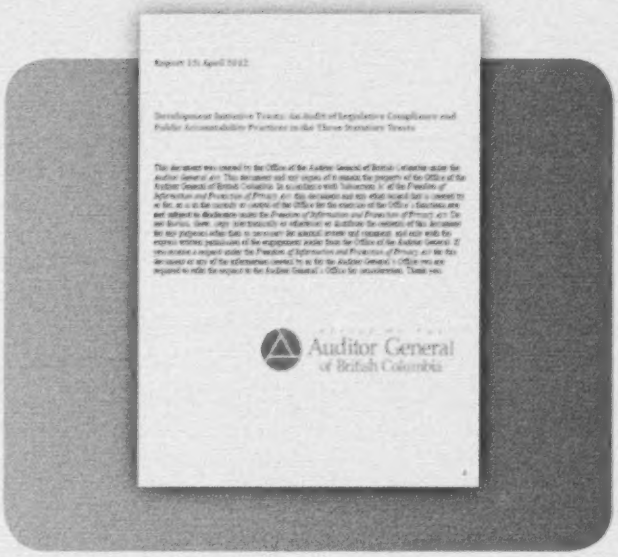
ii. Incorporate BC Reporting Principles into their annual reports.

iii. Develop and report annual goals, as well as developing key performance indicators that can be used to monitor progress in achieving those goals.

While Northern Development implemented many of the recommendations, it is worth noting that these are suggestions by the Office of the Auditor General and not requirements of *Northern Development Initiative Trust Act* legislation, nor are binding on the Trust.

As recommended by the Office of the Auditor General, Northern Development has begun the implementation of BC Reporting Principles. A key to these reporting principles, provided by the Office of the Auditor General, are available on pages 66 - 67 of this annual report.

Northern Development further conducted its internal audit, on a test basis, of all projects receiving a final payment in 2012. Due diligence is conducted to the highest standards on project applications and on financial and performance reporting; internal audits are carried out in an effort to see where processes could be improved based on actual results. Some minor recommendations resulted, including the development of site visit and progress monitoring forms to aid in the completeness of information on file. This also led to the elimination of formal contracts for the *Marketing Initiatives*, *Feasibility Studies* and *Industry Attraction programs*; contracts have now been replaced with an acknowledgement of terms and conditions to simplify the process for project proponents in these three grant programs.



Robust Systems

Catalyst is an enterprise-level grants management software system that has been developed by Northern Development Initiative Trust since 2005 to enable Northern Development and other organizations to efficiently and accurately manage funding applications, due diligence, contributions, and report to senior levels of government on outcomes.

Catalyst has been crucial to enabling Northern Development to meet exponential growth in program demand and funding outflow over the first five years of the organization's operations.

The software system allows staff to responsively and responsibly manage a high volume of funding requests and disbursements with significant time available to focus on applicant coaching, community consultation and adding value to regional economic development. 2012 improvements to this program saw an addition of new reporting capabilities, new statistical reports and the creation of new program modules.

catalyst™
empowered project investment

Investment Practices

Northern Development continues to improve upon its investment model. Northern Development works closely with the three investment managers to ensure timely information surrounding the investments are supplied to the board. Quarterly, each of the investment managers presents investment results to the board. The most current Statement of Investment Policy and Procedures, governing market investments and guiding the investment managers, is available for download on Northern Development's website. Investment balances are further explored on pages 50 to 53 of this report.

Continuous Improvement

Further continuous improvement initiatives conducted in 2012 have aided in board governance education, updates to the Finance Operations manual to promote more efficient operations, improvements to human resources processes to promote a healthy working environment, and filing system improvements more compatible with Freedom of Information legislation. Northern Development will continue to work with stakeholders to enhance products and services over all facets of the organization that contribute to building a stronger north.

Northern Development's commitment to continuous improvement and ongoing refinement of best practices mitigates risk through improvement of robust systems that ensure accuracy, diligence and timely feedback from stakeholders. Northern Development's operating budget has been consistent from 2009 to 2013 (budget), at $1,525,526, $1,448,175, $1,245,642, $1,439,546 and $1,588,848 respectively. This demonstrates the sustainability of operations at current volumes, and current staff levels and resources are seen as sufficient to achieve goals.

2012 Project Funding

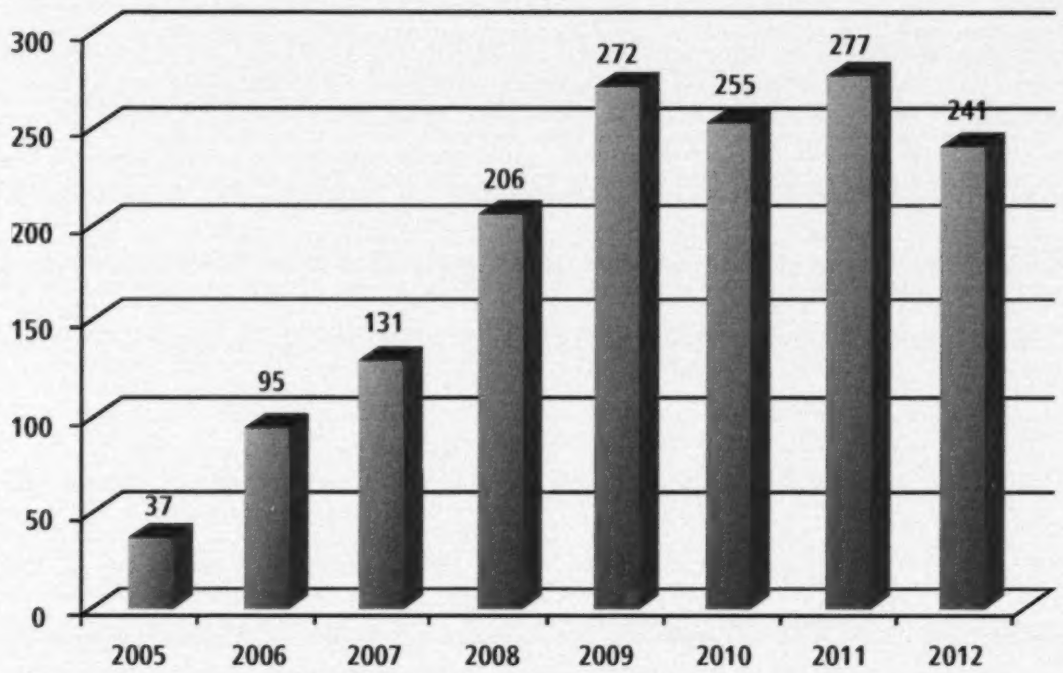
Performance Indicators

This section of the annual report explores funding program delivery, relating several key performance indicators back to the strategic plan and in working toward the goals and achievements of Northern Development. This section is complimentary to the goals and achievements covered on pages 13 to 19 of this report.

Application Intake

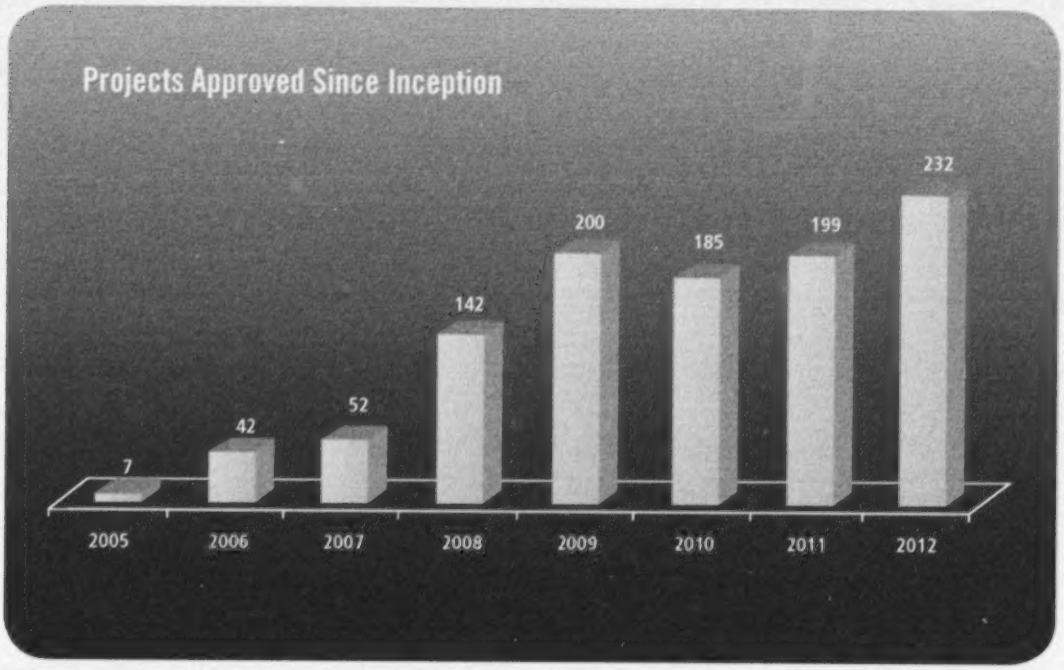
Application intake for Northern Development programs in 2012 was very comparable with the demand for programs experienced in previous years. Application intake indicates relevance for stakeholders, and relates to the capacity building, business development and funding program delivery priority areas. Northern Development does not have an annual target for applications in any one given year, because they are stakeholder driven. Any large variances would lead to modifying the program guidelines in consultation with the board. No major changes from the current intake of applications is expected in 2013.

Applications Received



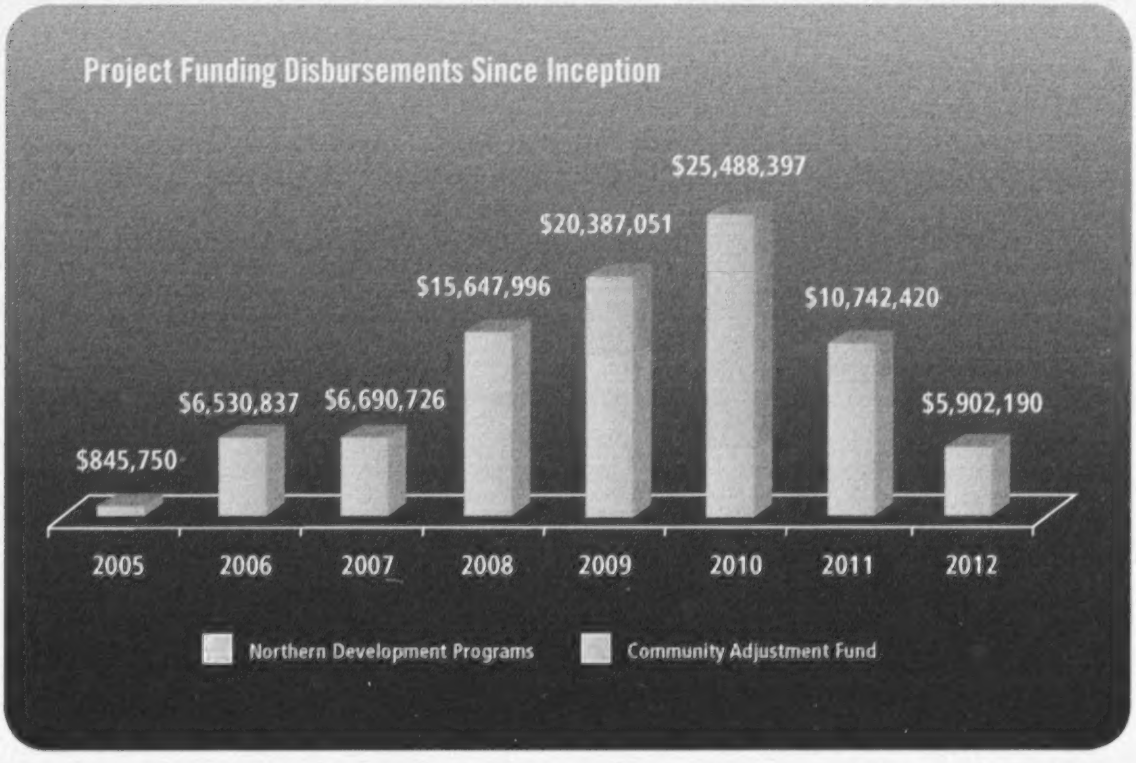
Funding Approvals

Funding approvals, like application intake, also indicates relevance for stakeholders, and relates to the capacity building, business development and funding program delivery priority areas. Approvals reflect the volume of staff due diligence on application intake. Optimal funding approvals would equal investment income, less inflation. However, approvals happen throughout the year, and cannot be timed perfectly with fluctuating income levels. Further, approved projects do not always proceed as planned, and funding may not be disbursed for a year or two after final approval. Northern Development's board of directors therefore expects approvals to remain in the relevant range of $8 to $11 million per annum, with little fluctuation in periods of either market growth or stress. Approvals of $12,161,317 in 2012 therefore meet stakeholder expectations.



Disbursements

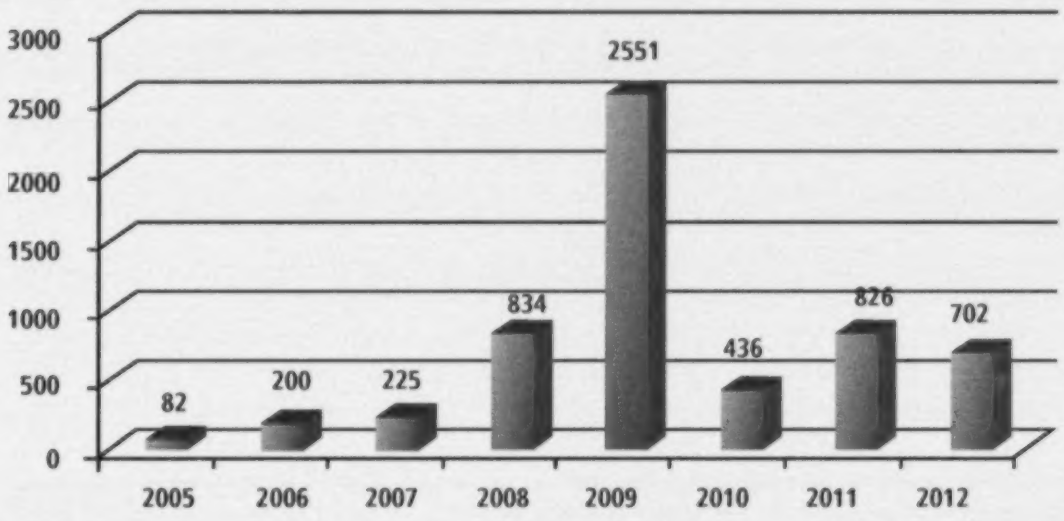
Disbursements, like approvals, are a key performance indicator across funding programs. Disbursements reflect the volume of staff due diligence on project financial reporting, and Northern Developments capacity to process applications, contracts and financial accountability processes. Project disbursements necessarily follow project approvals, and the higher the level of disbursements, the more money Northern Development is investing in the region. Like most key performance statistics, disbursements do not tell the whole story in isolation, but do provide a frame of reference for the goals and achievements discussed on pages 13 - 19. Between $8 and 9.5 million is expected to be disbursed in 2013.



Job Creation

"Jobs" is the full-time equivalent number of positions created, and the largest key performance indicator of overall impact related to the goals and achievements discussed on page 14. Northern Development does not use multipliers in reporting its jobs, but instead counts one position as one position. Jobs reported are based on formal, contracted annual proponent reports. Annual progression of jobs is provided in the goals and achievements section of this document; the following is a breakdown of jobs reported by project proponents to 2012. Jobs created through the Community Adjustment Fund program, business programs and community programs are shown separately:

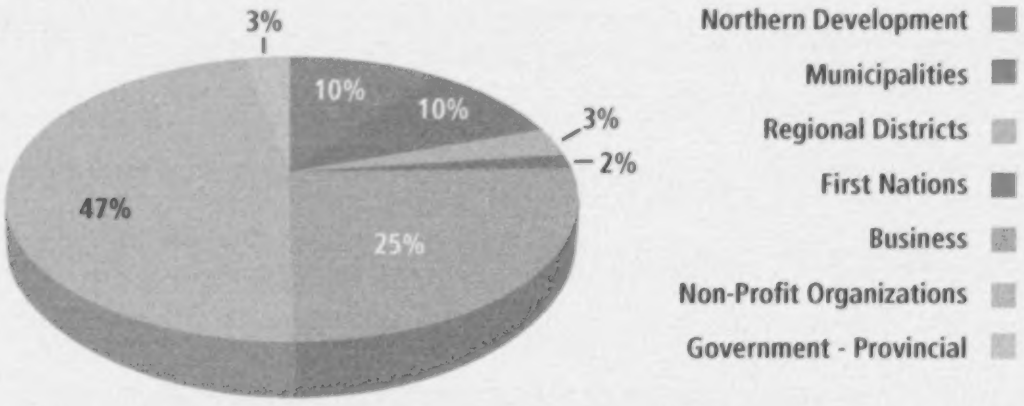
Job Creation



Other Funding Sources

Other funding sources is an indication of where leveraged dollars are coming from, supporting Northern Development's primary goal of bringing $2 billion to the region by 2020. The federal government and private investment, both from business and non-profit enterprises, are seen as the most attractive project partners, though the province, municipalities, First Nations and regional districts also need to have a commitment in many projects to ensure successful completion. The breakdown below is the sum of "Other Funders" listed in successful project applications to date.

Other Funding Sources



2012 Fund Balances

The 2012 year end investment account balance of Northern Development accounts was $178.5 million. Loans and interest receivable were a further $19.0 million, meaning the total capital balance of Northern Development was $197.5 million.

Northern Development's Statement of Investment Policies and Procedures provides direction from the board to investment managers. This minimizes risk, and instills accountability. The Statement of Investment Policies and Procedures provides performance criteria to investment managers as the primary evaluation tool; current performance standards are that equity investments exceed the relevant index by 1.0%, and fixed income investments match the relevant index. Indexes are generally accepted standards against which the performance of a security or investment management firm can be measured. Indexes are usually composed of broad market equities and bonds, and the indexes identified in Northern Development's Statement of Investment Policies and Procedures are provided below:

Investment Type	Index
International Equities	Morgan Stanely Capital Investment (MSCI) World Indexes
Canadian Equities	S&P / Toronto Stock Exchange (TSX) Capped Composite Index
Fixed Income	DEX Bond Fund Indexes

Northern Development investment balances, re-stated by asset type and with performance to the relevant benchmark comparison, are below:

	Investment Manager	2012 Ending Balance	2012 Performance to Benchmark
Short Term Bonds	TD Asset Management	$ 10,724,169	0.21%
Real Return Bonds	TD Asset Management	$ 16,375,931	-0.06%
Canadian Bonds	TD Asset Management	$ 51,811,637	-0.02%
Canadian Equities	Mawer Investments	$ 43,636,612	6.46%
Global Equities	AGF Investments	$ 55,960,485	4.40%
Total		**$ 178,508,833**	
Regional Capital Investments (Loans)		$ 19,022,522	
Total		**$ 197,531,355**	

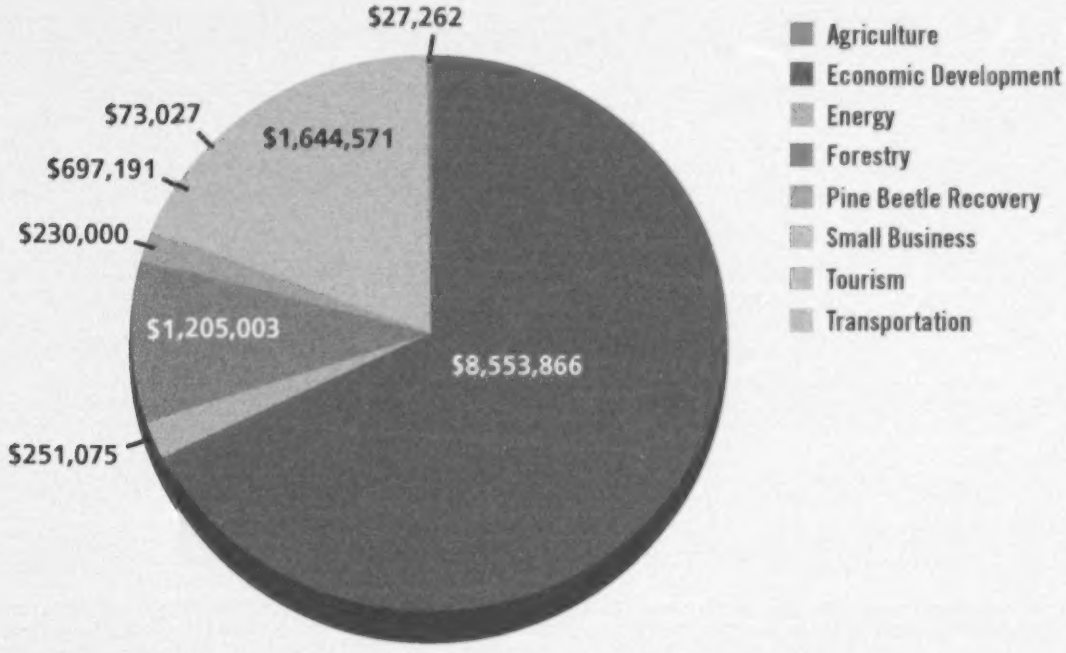
Northern Development's Statement of Investment Policies and Procedures also outlines what securities are eligible for investment, the asset mix between these securities, what constitutes conflict of interest, and other guidelines and protocols. Investment managers are required to provide formal certification each quarter that investments remain within the mandate outlined in the Statement of Investment Policies and Procedures.

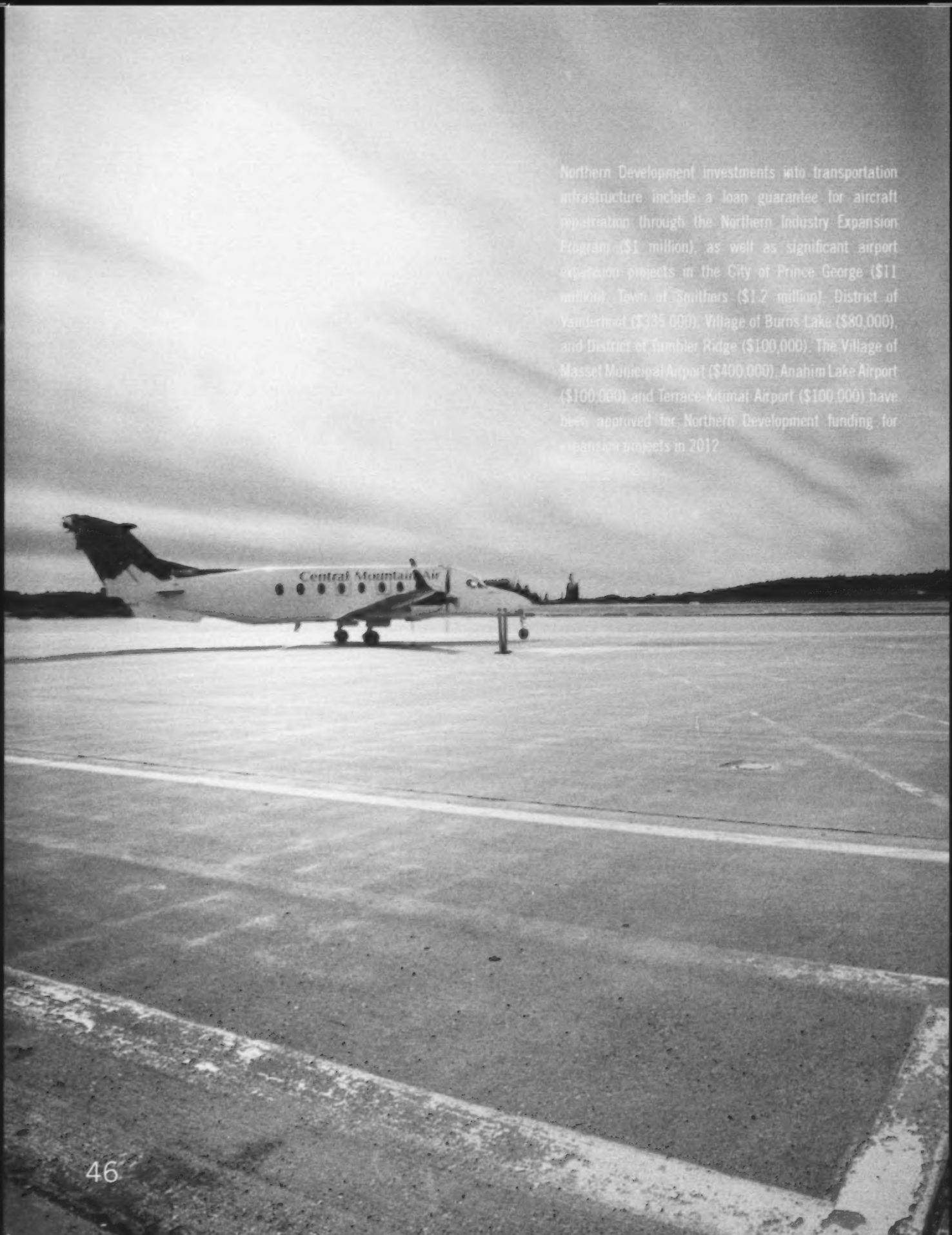
Northern Development will continue to work with top tier performing-investment managers to ensure returns to the north are maximized each year, and that the amount of funding available for projects remains at sustainable levels.

Legislated Investment Areas

It was anticipated by the *Northern Development Initiative Trust Act* legislation that funds would be committed to specific investment areas. These areas were outlined in the legislation to demonstrate that funding was for economic development activities across a variety of mandates.

The following pie chart shows investment to date in each of the legislated investment areas for 2012:





Northern Development investments into transportation infrastructure include a loan guarantee for aircraft repatriation through the Northern Industry Expansion Program ($1 million), as well as significant airport expansion projects in the City of Prince George ($11 million), Town of Smithers ($1.2 million), District of Vanderhoof ($335,000), Village of Burns Lake ($80,000), and District of Tumbler Ridge ($100,000). The Village of Masset Municipal Airport ($400,000), Anahim Lake Airport ($100,000) and Terrace-Kitimat Airport ($100,000) have been approved for Northern Development funding for expansion projects in 2012.

Financial Statements of

NORTHERN DEVELOPMENT INITIATIVE TRUST

Year ended December 31, 2012

KPMG LLP
Chartered Accountants
177 Victoria Street, Suite 400
Prince George BC V2L 5R8
Canada

Telephone (250) 563-7151
Fax (250) 563-5693
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Northern Development Initiative Trust

We have audited the accompanying financial statements of Northern Development Initiative Trust, which comprise the statement of financial position as at December 31, 2012, the statement of operations, fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Development Initiative Trust as at December 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of Northern Development Initiative Trust for the year ended December 31, 2011 were audited by a predecessor auditor who expressed an unmodified opinion on those financial statements on February 8, 2012.

KPMG LLP

Chartered Accountants

February 13, 2013

Prince George, Canada

NORTHERN DEVELOPMENT INITIATIVE TRUST

STATEMENT OF FINANCIAL POSITION

as at December 31, 2012

	Unrestricted	Endowment		
	Operating	Operating Endowment Account	Invested in Capital Assets	Cross Regional
ASSETS				
Current Assets				
Cash	$ 154,818	$ -	$ -	$ -
Miscellaneous Receivables	4,624	-	-	47,232
Prepaid expenses	36,144	-	-	-
Current Portion of Loans Receivable (Note 2)	-	-	-	-
Total Current Assets	195,585			47,232
Other Non-Current Assets				
Loans receivable (Note 2)	-	-	-	12,612,087
Investments (Note 3)	1,608,135	25,000,000	-	42,831,759
Capital Assets (Note 4)	-	-	170,599	-
TOTAL ASSETS	**$ 1,803,720**	**$ 25,000,000**	**$ 170,599**	**$ 55,491,078**
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable & accrued liabilities (Note 5)	$ 284,869	$ -	$ -	$ 38,007
Current portion of CAF loan repayable (Note 6)	-	-	-	-
TOTAL CURRENT LIABILITIES	284,869	-	-	38,007
Long-term liability - Loan repayable (Note 6)	-	-	-	-
TOTAL LIABILITIES	284,869	-	-	38,007
Fund Balances				
Endowment fund (Note 7)	-	25,000,000	-	-
Externally Restricted - Uncommitted	-	-	-	51,507,395
Externally Restricted - Committed (Schedule 1)	-	-	-	3,945,676
Invested in Capital Assets (Note 8)	-	-	170,599	-
Unrestricted	1,518,851	-	-	-
TOTAL FUND BALANCES	1,518,851	25,000,000	170,599	55,453,071
Contingencies (Note 9)				
Commitments (Note 10)				
TOTAL LIABILITIES AND FUND BALANCES	**$ 1,803,720**	**$ 25,000,000**	**$ 170,599**	**$ 55,491,078**

Restricted						Total	
Pine Beetle	Cariboo-Chilcotin Lillooet Regional Development	Northwest Regional Development	Northeast Regional Development	Prince George Regional Development	Other Trust Funds	2012	2011
$ -	$ -	$ -	$ -	$ -	$ 30,936	$ 185,754	$ 220,842
-	-	-	-	-	170,866	222,722	260,783
-	-	-	-	-	-	36,144	34,818
1,943,821	27,496	525,844	86,798	35,058	3,999,875	6,618,891	6,165,875
1,943,821	27,496	525,844	86,798	35,058	4,201,677	7,063,511	6,682,317
781,927	77,514	1,687,635	1,064,068	180,275	7,646,762	24,050,268	27,721,075
20,720,745	20,333,282	18,940,492	23,720,921	25,391,634	-	178,546,968	170,061,003
-	-	-	-	-	-	170,599	200,162
$ 23,446,493	**$ 20,438,292**	**$ 21,153,971**	**$ 24,871,787**	**$ 25,606,967**	**$ 11,848,438**	**$ 209,831,345**	**$ 204,664,557**
$ 18,025	$ 18,378	$ 16,778	$ 21,433	$ 22,875	$ -	$ 420,365	$ 424,651
-	-	-	-	-	3,999,875	3,999,875	3,934,696
18,025	18,378	16,778	21,433	22,875	3,999,875	4,420,240	4,359,347
-	-	-	-	-	7,646,762	7,646,762	11,646,636
18,025	18,378	16,778	21,433	22,875	11,646,636	12,067,001	16,005,983
-	-	-	-	-	-	25,000,000	25,000,000
19,930,563	17,890,154	20,146,865	24,165,243	19,308,099	129,186	153,077,505	134,804,277
3,497,905	2,529,760	990,328	685,111	6,275,992	72,616	17,997,389	27,469,794
-	-	-	-	-	-	170,599	200,162
	-	-	-	-	-	1,518,851	1,184,341
23,428,468	20,419,914	21,137,193	24,850,354	25,584,092	201,802	197,764,344	188,658,574
$ 23,446,493	**$ 20,438,292**	**$ 21,153,971**	**$ 24,871,787**	**$ 25,606,967**	**$ 11,848,438**	**$ 209,831,345**	**$ 204,664,557**

NORTHERN DEVELOPMENT INITIATIVE TRUST
STATEMENT OF OPERATIONS AND FUND BALANCES

as at December 31, 2012

	Unrestricted	Endowment			
	Operating	Operating Endowment Account	Invested in Capital Assets	Cross Regional	Pine Beetle
REVENUE					
Investment Income	$ 850,538	$ -		$ 1,325,834	$ 646,465
Interest Income - Projects	-	-		370,927	133,768
Corporate Contributions	-	-		-	-
Net Unrealized Gains/Losses	1,294,396	-		2,188,297	1,002,927
Gain/(Loss) on Disposal of Capital Assets		-	(138)	-	-
Financial Services Revenue/Recovery	500	-		76,175	27,491
TOTAL REVENUE	2,145,434		(138)	3,961,233	1,810,651
EXPENDITURES					
ADMINISTRATION EXPENSES					
Amortization	-	-	75,217	-	-
Direct Project Expenses	-	-	-	46,179	15,705
General Administration	280,766	-	-	-	-
S/C, Fees, Dues, Licences	11,184	-	-	-	-
Office Expense	164,269	-	-	-	-
Professional Services	33,804	-	-	-	-
Rentals & Maintenance	53,107	-	-	-	-
Office Supplies	20,962	-	-	-	-
Salaries & Benefits	796,821	-	-	-	-
TOTAL ADMINISTRATION EXPENSES	1,360,913	-	75,217	46,179	15,705
BOARD & RAC EXPENSES					
Board Costs	54,732	-	-	-	-
RAC - Northeast	2,561	-	-	-	-
RAC - Prince George	3,459	-	-	-	-
RAC - Cariboo-Chilcotin/Lillooet	7,856	-	-	-	-
RAC - Northwest	10,022	-	-	-	-
TOTAL BOARD & RAC EXPENSES	78,630	-	-	-	-
TOTAL ADMINISTRATION COSTS	**1,439,543**	-	**75,217**	**46,179**	**15,705**
Database Development	47,040	-	-	-	-
Website Consulting	28,550	-	-	-	-
TOTAL INCREMENTAL PROJECT EXPENSES	75,590	-	-	-	-
Grants and Loans (Schedule 1)	-	-	-	1,983,139	2,390,435
Less: Repayable Portion	-	-	-	-	(1,075,118)
NET GRANTS	-	-	-	1,983,139	1,315,317
TOTAL EXPENSES	**1,515,133**	-	**75,217**	**2,029,318**	**1,331,022**
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**630,301**	-	**(75,355)**	**1,931,914**	**479,629**
FUND BALANCES, BEGINNING OF YEAR	1,184,341	25,000,000	200,162	53,521,157	22,698,839
Interfund Transfers	(250,000)	-	-	-	250,000
Investment in Capital Assets (Note 8)	(45,792)	-	45,792	-	-
FUND BALANCES, END OF YEAR	$ 1,518,850	$ 25,000,000	$ 170,599	$ 55,453,071	$ 23,428,468

APPROVED BY THE BOARD

Director

Evan Saugstad, Chair

Northern Development Initiative Trust

Restricted					Total	
Cariboo-Chilcotin Lillooet Regional Development	Northwest Regional Development	Northeast Regional Development	Prince George Regional Development	Other Trust Funds	2012	2011
$ 617,697	$ 553,471	$ 731,027	$ 755,315	$ -	$ 5,480,347	$ 4,331,086
459	-	30,240	-	-	535,394	482,052
-	-	-	-	13,750	13,750	3,008,908
1,072,731	949,108	1,230,642	1,355,656	-	9,093,757	2,257,774
-	-	-	-	-	(138)	651
-	-	-	-	-	104,166	135,348
1,690,887	1,502,579	1,991,909	2,110,971	13,750	15,227,276	10,215,819
-	-	-	-	-	75,217	81,833
-	140	33	191	394	62,641	54,077
-	-	-	-	-	280,766	158,278
-	-	-	-	-	11,184	10,086
-	-	-	-	-	164,269	140,416
-	-	-	-	-	33,804	128,376
-	-	-	-	-	53,107	45,299
-	-	-	-	-	20,962	23,846
-	-	-	-	-	796,821	682,060
-	140	33	191	394	1,498,771	1,324,271
-	-	-	-	-	54,732	45,468
-	-	-	-	-	2,561	2,057
-	-	-	-	-	3,459	2,104
-	-	-	-	-	7,856	3,873
-	-	-	-	-	10,022	3,779
-	-	-	-	-	78,630	57,281
-	140	33	191	394	1,577,401	1,381,552
-	-	-	-	-	47,040	-
-	-	-	-	-	28,550	-
-	-	-	-	-	75,590	-
391,109	296,213	137,798	474,218	228,384	5,901,297	10,751,812
(70,835)	(53,983)	(17,512)	(215,333)	-	(1,432,782)	(357,122)
320,274	242,230	120,286	258,885	228,384	4,468,515	10,394,690
320,274	242,370	120,319	259,076	228,778	6,121,506	11,776,241
1,370,613	1,260,209	1,871,590	1,851,896	(215,028)	9,105,770	(1,560,423)
19,049,301	19,876,984	22,978,764	23,732,196	416,830	188,658,574	190,218,997
-	-	-	-	-	-	
-	-	-	-	-	-	
$ 20,419,914	$ 21,137,193	$ 24,850,354	$ 25,584,092	$ 201,802	$ 197,764,344	$ 188,658,574

NORTHERN DEVELOPMENT INITIATIVE TRUST
STATEMENT OF CASH FLOWS

as at December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenditures	$ 9,105,769	$ (1,560,423)
Items not involving cash:		
Amortization	75,217	81,833
Net unrealized gains	(9,087,757)	(2,257,774)
Gain on disposal of capital assets	138	(651)
Accrued interest on loans receivable	(406,816)	(456,235)
	(313,449)	(4,193,250)
Change in non-cash operating working capital:		
Miscellaneous receivables	38,061	649,544
Prepaid expenses	(1,326)	(18,445)
Accounts payable and accrued liabilities	(4,286)	(677,752)
	(281,000)	(4,239,903)
Financing:		
Repayment of loans payable	(3,934,695)	(1,947,843)
Investing:		
Investments	601,792	2,576,395
Repayment of loans receivable	5,054,808	5,235,023
Advance of loans receivable	(1,430,201)	(1,881,320)
Acquisition of capital assets	(45,792)	(139,208)
	4,180,607	5,790,890
Decrease in cash	(35,088)	(396,856)
Cash, beginning of year	220,842	617,698
Cash, end of year	$ 185,754	$ 220,842
Supplemental cash flow information:		
Acquisition of capital assets financed with proceeds on disposition of capital assets	$ 800	$ 24,500

See accompanying notes to financial statements.

Nature of operations:

Northern Development Initiative Trust (the "Trust"), a not-for-profit organization incorporated under the Northern Development Initiative Trust Act, operates primarily to be a catalyst for Northern B.C. and grow a strong diversified economy by stimulating sustainable economic growth through strategic and leveraged investments.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Trust's significant accounting policies are as follows:

(a) Restricted fund method of accounting:

The Trust follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Trust's general activities.

The Restricted Funds are comprised of the Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account and Prince George Regional Development Account and report contributions restricted to activities outlined in their respective strategic plans. The Other Trust Funds are comprised of the Western Economic Diversification Community Adjustment Fund, Young Innovator Scholarship Fund, New Relationship Trust Fund and Northwest Powerline Fund and report contributions restricted to activities outlined in their respective strategic plans.

(b) Investments:

Investments are recorded at fair value. The difference between historical cost and fair value is recorded as an unrealized gain or loss and recorded in the excess (deficiency) of revenue over expenditures in the period in which the difference occurred. Gains and losses realized during the year are computed using the average cost method and recognized directly in the excess (deficiency) of revenue over expenditures.

as at December 31, 2012

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Trust's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Computer equipment	33%
Leasehold improvements	20%
Office equipment	20%
Software	100%
Vehicle	20%

(d) Externally restricted - uncommitted funds:

Uncommitted externally restricted funds represent funds not committed at year end to specific project proposals.

(e) Externally restricted - committed funds:

Committed externally restricted funds represent funds at year end for specific project proposals that have been approved by the Board of Directors and the cash disbursement will not occur until a future date after year end once the conditions of the signed funding agreement are met.

as at December 31, 2012

1. Significant accounting policies (continued):

(f) Revenue recognition:

Externally restricted contributions received for the Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account, Prince George Regional Development Account and Other Trust Funds are recognized as revenue in the year received. All other externally restricted contributions received are recognized in the Operating Fund as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized to the extent received or receivable.

(g) Grants and repayable grants:

Grants and repayable grants awarded by the Trust are recognized when the conditions of the signed funding agreement are met and funds have been disbursed.

(h) Income taxes:

No provision has been made for income taxes in these financial statements as the Trust is exempt under Paragraph 149(1)(c) of the Income Tax Act.

(i) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies, and that have not been hedged, are translated into Canadian dollars at the rates of exchange in effect at the balance sheet date. Other assets, liabilities and items affecting earnings are translated into Canadian dollars at rates of exchange in effect at the date of the transaction. Gains or losses arising from these foreign currency transactions are included in the determination of income.

as at December 31, 2012

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and the carrying amount of loans receivable. Actual results could differ from those estimates.

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Trust determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Trust expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

as at December 31, 2012

2. Loans receivable:

	2012	2011
Cross Regional Development Account - Prince George. Interest only payments commenced in October Interest calculated at bank prime rate (December 31, 2012 - 3%). Repayable in annual installments of $378,363 in 2013 and 2014, and $901,223 in 2015 and $1,607,367 in 2016. Principal payments commencing in 2015	$ 12,612,087	$ 12,335,667
Pine Beetle Recovery Account. Repayable in annual installments of $2,030,727 in 2013, $562,320 in 2014, and $549,845 in 2015 including interest between 0.0% and 6.8%. Certain loans are secured by specific property, assignment of life insurance and personal guarantee	2,725,748	1,685,480
Cariboo-Chilcotin Lillooet Regional Development Account. Repayable in annual installments of $28,865 in 2013, 2014, 2015, $11,415 in 2016 and a final payment in 2017 of $10,865, non-interest bearing	105,010	88,783
Northwest Regional Development Account. Repayable in annual installments of $525,844 in 2013 and 2014, $462,553 in 2015, $362,844 in 2016, $332,396 in 2017, and $2,000 in 2018 and 2019, non-interest bearing	2,213,478	2,981,173
Northeast Regional Development Account. Repayable in annual installments of $115,237 in 2013 and 2014, $119,074 in 2015, $115,237 in 2017 and $111,400 from 2018 onwards including interest between 0.0% and 4.0%	1,150,866	1,214,514
Western Economic Diversification Community Adjustment Fund. Repayable in quarterly installments of $1,045,955 in 2013, 2014 and the first quarter of 2015, $980,699 in the second and third quarter of 2015, $535,699 in the fourth quarter of 2015 and a final installment of $85,355 in the first quarter of 2016 including interest between 0.0% and 3.75%	11,646,636	15,581,332

as at December 31, 2012

2. Loans receivable (continued):

	2012	2011
Prince George Regional Development Account. Repayable in annual installments of $35,058 in 2013, $93,868 in 2014, $78,671 in 2014 and $3,868 in 2015 and 2016, non-interest bearing	215,333	-
	30,453,825	33,886,949
Current portion	(6,618,891)	(6,165,875)
Long-term loans receivable	$ 24,050,267	$ 27,721,074

3. Investments:

The Trust's investments are held with Canadian Western Trust at fair market value.

	2012	2011
Fixed income balances:		
TD Short-term Bond Fund	$ 10,726,460	$ 10,303,884
TD Real Return Bond Fund	16,379,429	18,079,540
TD Canadian Bond Index Fund	51,822,706	53,616,085
	78,928,595	81,999,509
Equity balances:		
Mawer Canadian Equity Fund	43,645,933	37,555,889
AGF Global Equity Fund	55,972,440	50,505,605
	$ 178,546,968	$ 170,061,003

as at December 31, 2012

4. Capital assets:

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Computer	$ 172,334	$ 131,670	$ 40,664	$ 45,596
Computer software	140,541	135,760	4,781	3,013
Furniture and fixtures	128,574	89,362	39,212	48,778
Leasehold improvements	47,676	10,771	36,905	41,672
Vehicles	63,858	14,821	49,037	61,103
	$ 552,983	$ 382,384	$ 170,599	$ 200,162

5. Accounts payable and accrued liabilities:

	2012	2011
Trade and accrued liabilities	$ 398,099	$ 407,298
Payroll and withholding taxes	22,266	17,353
	$ 420,365	$ 424,651

as at December 31, 2012

6. Loans payable:

The loans payable relate to the Western Economic Diversification Community Adjustment Fund and will be repaid under the same terms as detailed for the loan receivable in Note 2.

7. Endowment fund:

The Endowment Fund was established to receive proceeds of $25,000,000 from the Government of British Columbia pursuant to terms of the Northern Development Initiative Trust Act ("NDIT Act"). Interest or other income earned from the money invested may be used to cover operating expenditures incurred by the directors and officers of the Trust to perform their obligations under the NDIT Act. Income earned on the endowment is recorded fully in the Operating Fund. Included in operations is investment income of $945,363 (2011 - $712,742) and net unrealized gains of $1,294,396 (2011 - $541,936) for the year ended December 31, 2012.

8. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2012	2011
Opening balance	$ 200,162	$ 142,136
Acquisition of capital assets	46,592	163,708
Proceeds on disposition of capital assets	(800)	(24,500)
Gain on disposition of capital assets	(138)	651
Amortization	(75,217)	(81,833)
	$ 170,599	$ 200,162

9. Contingent liabilities:

The Trust is contingently liable as guarantor of loans with unrelated parties in the amount of $3,295,066.

The Trust has a demand credit facility for standby letters of credit authorized to $15,000,000, secured by a general security agreement placing a first-priority interest in all present and future property of the Trust. As at December 31, 2012 there were two letters of credit issued for a total of $4,000,000, expiring between May and December 2013.

10. Commitments:

The Trust leases premises under a lease which expires May 2019 and certain computer and office equipment. The minimum lease payments in each of the next five years are:

as at December 31, 2012

10. Commitments (continued):

2013	$	133,258
2014		133,258
2015		133,258
2016		129,373
2017		126,598
Thereafter		253,195
	$	908,940

11. Financial risks:

(a) Currency risk:

The Trust is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Trust purchases investments denominated in foreign currency. The Trust does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2011.

(b) Market risk:

The Trust derives revenue from its equity and fixed income investments which are subject to market fluctuations. The Trust employs investment diversification to manage this risk.

(c) Credit risk:

The Trust is exposed to credit risk from the possibility that borrowers may default on their obligations. Management attempts to mitigate this risk by ensuring that proper due diligence is performed before funding is committed.

(d) Liquidity risk:

Liquidity risk is the risk that the Trust will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Trust manages its liquidity risk by monitoring its operating requirements. The Trust prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2011.

(e) Interest rate risk:

The Trust's fixed income securities are subject to interest rate risk. Rising interest rates may cause a decrease in the value of these securities. The Trust employs investment diversification to manage this risk.

12. Employee future benefits:

The Trust, and its employees, contribute to the BC Public Service Pension Plan (the "Plan"), a jointly trusteed pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 53,500 active members and approximately 37,860 retired members. Active members include approximately 85 contributors from the provincial government, crown corporations, government agencies and not-for-profit organizations.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation was performed as at March 31, 2011. The valuation shows a deterioration in the actuarial position for the Basic Account, from a surplus of $487 million as at March 31, 2008, to an unfunded liability of $275 million as at March 31, 2011. The main reasons for the deterioration in the actuarial position are that the investment returns were lower than were assumed and there were changes in the demographic assumptions. The Trust paid $67,233 (2011 - $61,106) for employer contributions to the Plan during the year.

13. Comparative information:

Certain of the comparative figures have been reclassified to conform with the financial presentation adopted for the current year.

NORTHERN DEVELOPMENT INITIATIVE TRUST
SCHEDULE OF EXTERNALLY RESTRICTED - COMMITTED FUNDS SCHEDULE 1

as at December 31, 2012

Account	Total Funding Approved	Grants and loans 2012 Disbursements	Grants and loans 2011 Disbursements	2012 Outstanding Commitments	2011 Outstanding Commitments
Cross Regional Account	$ 25,726,684	$ 1,983,139	$ 2,248,689	$ 3,945,676	$ 9,958,601
Pine Beetle Recovery Account	19,884,022	2,390,435	4,598,588	3,497,905	10,845,077
Cariboo-Chilcotin/Lillooet Regional Development Account	8,070,519	391,109	322,340	2,529,760	4,445,786
Northwest Regional Development Account	10,608,312	296,213	122,913	990,328	742,553
Northeast Regional Development Account	3,961,730	137,798	193,764	685,111	734,017
Prince George Regional Development Account	11,625,062	474,218	128,743	6,275,992	608,760
Other Trust Funds	955,072	228,384	3,136,775	72,616	135,000
TOTAL	**$ 80,831,401**	**$ 5,901,297**	**$ 10,751,812**	**$ 17,997,388**	**$ 27,469,794**

Reporting Principles Table

The first two columns of following table were provided by the Office of the Auditor General in its combined audit report after a review of three statutory trusts. Northern Development has added the column on the far right, the page numbers where each of these reporting principles can be found.

BC Reporting Principle	Ways the statutory trusts can improve in their annual reports	Northern Development Annual Report
1. Explain the public purpose served.. Public performance reporting should explain why an organization exists and how it conducts its business, both in terms of its operations and in the fundamental values that guide it.	• Explain public purpose served - that is, describe the effect of funded projects on goals. • Disclose values, guiding principles and behavior standards that guide conduct.	• Public purpose served is found on Pages 4 -10. • Guiding principles / values also found throughout introductory section, especially pages 8 -10.
2. Link goals and results. Public performance reporting should identify and explain the organization's goals, objectives and strategies and how they relate to the results achieved.	• Describe how short-term performance impacts long-term goals and objectives. • Explain relevance of individual measures and meaning of results achieved. • Clarify updated goals in relation to reported results and explain adjustments. • Explain how goals and key performance indicators will be achieved.	• Descriptions throughout the 5 Strategic Priority Areas section, pages 12 - 38. • Explanations throughout the 5 Strategic Priority Areas section, pages 12 - 38. • Clarification throughout the 5 Strategic Priority Areas section, pages 12 - 38. • Explanations throughout the 5 Strategic Priority Areas section, pages 12 - 38.
3. Focus on the few, critical aspects of performance. "Few" means that the goals, objectives and performance measures described are limited in number. Critical aspects of performance address significance, relevance and results focus.	• Include results of a test of goals and of objectives' relevance with stakeholders. • Include environmental scan that establishes content and challenges. • Explain how environment impacts achievement of goals and objectives. • Provide more detail when helpful to readers' understanding.	• Goals are tested through development of Strategic Plan with Advisory Committees, as discussed pages. • Discussion of statistical results (pages 13 - 18, 25 and 39 - 42) limited to key goals and indicators. • Introductory section provides background (pages 4 -10) while analysis occurs throughout the report. • All statistical comparisons are aided with textual analysis.
4. Relate results to risk and capacity. Good performance reporting should report results in the context of an organization's risks and its capacity to deliver on its programs, products and services.	• Identify types of risks faced, management strategy and overall tolerance. • Explain how risks influence the goals, objectives and programs/service delivery strategies chosen. • Discuss internal capacity (e.g. where capacity is needed for long-term success). • Discuss whether necessary funds, infrastructure and people are in place to meet objectives.	• See Best Practices section, pages 35 - 38. • See Best Practices section, pages 35 - 38, and 2012 Fund Balances section, pages 43 - 44. • See Best Practices section, pages 35 - 38. • See Best Practices section, pages 35 - 38.

BC Reporting Principle	Ways the statutory trusts can improve in their annual reports	Northern Development Annual Report
5. Link resources, strategies and results. Public performance reporting should link financial and performance information to show how resources and strategies influence results. Also shown is how efficiently the organization achieves its results.	• Provide more information on funding partners (e.g. levels of government, other sources). • Discuss the costs of each performance measure. • Include forecasted expenditures. • Include management discussion and analysis section.	• See Partnerships and Networking Section, pages 20 - 23. • Costs clearly explained throughout report. • Provided in-program discussion / trends analysis throughout report. • Letter from the Chair and CEO pages 4 - 5, and Discussion of Five Priority Areas, pages 12 - 38.
6. Provide comparative information. Public performance reporting should provide comparative information about past and expected future performance and about the performance of similar organizations when that would significantly enhance a reader's ability to use the information.	• Ensure consistency (format, structure) of strategic plan and report. • Include annual performance targets, not just long-term targets. • Indicate the year-over-year performance and describe current performance. • Explain any significant year-over-year data inconsistencies. • Include strategic context section (with environmental scan).	• Strategic Plan to be updated in 2013, while annual report fairly consistent with 2012. • Comparison to annual targets added wherever possible, pages 13 - 18. • Year over year comparison added wherever possible, pages 13 - 18 and 39 - 42. • Textual analysis accompanies all statistics given for pages 13 - 18 and 39 - 42. • Strategic context provided pages 8 - 11, environmental scan forthcoming in Strategic Plan update.
7. Present credible information, fairly interpreted. Public performance reporting should be credible- that is, based on quantitative and qualitative information that is fairly interpreted and presented.	• Discuss how performance measures are used to manage performance. • Identify where performance measures have changed and why. • Identify how performance information is measured and determined. • Discuss planned response to performance results. • Identify where strategies need to be revised. • Interpret results (e.g. provide comparisons between planned and actual results; trend analyses; comparisons with other organizations or industries).	• See discussion on pages 13 - 18 and 39. • See discussion on pages 13 - 18 and 39. • See discussion on pages 13 - 18 and 39. • See discussion on pages 13 - 18 and 39; also covered in 5 Priority Areas section. • See discussion on pages 13 - 18 and 39. • See discussion on pages 13 - 18 and 39.
8. Discuss the basis for key reporting judgments. Public performance reporting should disclose the basis on which information has been prepared and the limitations that should apply to its use.	• Disclose changes to goals, objectives or performance measures. • Describe why reported data is relevant and reliable. • Explain why performance measures have been chosen. • Explain significance of achieving performance level targets. • Explain how measures are derived. • If applicable, identify data acquired from third parties. • Have non-financial performance information independently verified.	• Primarily pages 8 - 19. • Self-evident; most data derived from project applications and reports. • All statistics reported are provided with an interpretation. • All statistics reported are provided with an interpretation; especially pages 39 - 42. • Primarily pages 8 - 19. • Not applicable.

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